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Tape of Clinton Will Be Made **Public Monday**

After Highly Charged Debate, House Panel Votes to Release 2,800 Pages of Documentation

By Brian Knowlton

WASHINGTON — A congressional committee voted Friday to release a dramatic videotape of President Bill Clinton's grand-jury testimony in the Monica Lewinsky case, along with 2,800 pages of written documentation. The vote, in closed session, followed a highly charged and partisan debate.

The documentation, including the tape, will be

released Monday morning.

Members of the House Judiciary Committee said

there would be 120 deletions from the printed documents, some to protect people not directly involved in the scandal, some to protect the identities of Secret Service agents and a few to remove some passages deemed highly objectionable for their sexual content. The four-hour videotape — which Mr. Clinton's personal attorney now says should have been de-

stroyed by the independent counsel's office — was expected to be released virtually unedited. (Page 3) The White House and congressional Democrats sharply protested the wholesale release, which followed several votes on the Judiciary Committee along

strict party lines. Some Republicans want to rush the release of salacious materials, defying the finest traditions of the House of Representatives," said Barry Toiv, a White

House spokesman. The process by which the House panel decided on the release, he said, "does not meet the fundamental standard of fairness and bipartisanship." The new material could constitute a serious new blow to the president, and a further affront to the dignity of the presidency, coming just a week after the release of the report from Kenneth Starr, in which the independent counsel laid out 11 possible grounds for

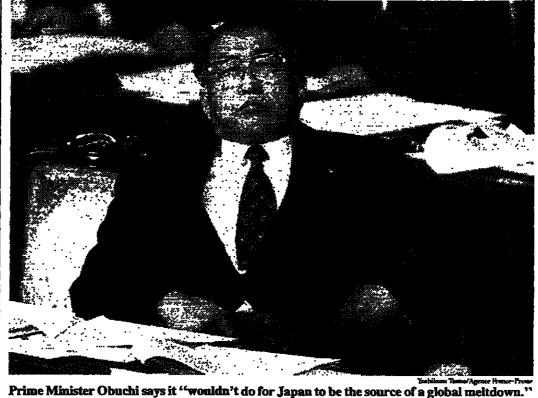
impeachment. They include perjury, obstruction of justice, witness tampering and abuse of power.

The videotape, filmed Aug. 17 in the White House Map Room, is said to portray several angry outbursts by Mr. Clinton, and moments in which he appeared evasive or insisted on fine legal distinctions. One member of the House said Thursday that some of the

Both the tapes and the printed documents were said to contain salacions new details about the sexual rela-

See CLINTON, Page 4

It's Belt-Tightening Time in Tokyo



Japanese Agree On Bank Reforms

Effort to Stabilize System Could Lead to Many Closures

	The Dollar	
New York	Frictay @ 4 P.M.	previous close
DM	1.695	1,6965
Yen	132.63	132.13
FF	5.6845	5.6888
Pound Dollars per po	1.682 und	1.6813
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+ 21.89	7,895.66	+ 0.28%
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+ 17.52	1,663.77	+ 1.06%

For Swedes, a Sober, Low-Volume Election

By Warren Hoge New York Times Service

STOCKHOLM - In a new work by David Hare that has just opened in London, a resident of Jerusalem is explaining the intensity of living there, and he invokes an image that ends up of all places here. "We experience events and emotions in a single day," the character says, "that would keep a Swede going for a year." True to the British playwright's prescription,

Sweden this weekend is staging its quadrennial political fete, a national election campaign, and the exercise is as uneventful and unimpassioned as it is barely detectable.

On Sunday, Swedes will vote to choose the 349 members of their Parliament and a multitude of municipal officials. The results will determine whether the Social

Democratic prime minister, Goran Persson, re-

mains in office or if Carl Bildt of the Moderate Party, the one-time chief foreign peace envoy to Bosnia, succeeds in returning to the prime minister's post that he occupied from 1991 to 1994. More than 85 percent of the 6.7 million registered voters are expected to cast ballots, and that

is not the only evidence that Swedes take their elections seriously. Swedish politics have their focus more on bread-and-butter issues of domestic security and

stability than on exotic foreign concerns or the personal appeal of the candidates, and the campaigns follow this purposeful pattern. Since the administrations that emerge are generally co-operative groupings of parties, the campaign competition between them is respectful, aimed at leaving few wounds.

The billboards and posters that festoon buildings

and light poles in other democratic societies during voting seasons are limited here to tasteful size and

presentation and permitted only in public spaces. You can travel blocks through Stockholm and

its suburbs without sighting a single slogan.
Rallies conducted by the leaders of the eight parties are orderly and unobtrusive, with some crowds as sparse as 10 to 15 people. There are no surprises on the stump. The party presentations across the country are controlled from headquar-

ters, and candidates resolutely stay on message. There has been only one scandal. Gudrun Schyman, the candidate of the formerly Communist Left Party and an ardent opponent of illegal jobs and exploitation of women workers. was found this week to have paid a 16-year-old girl to clean her house without declaring it.

Ethical standards in Swedish public life are exacting. Mona Sahlin, a former deputy prime minister, had to abandon her campaign for the top

See SWEDEN, Page 4

TOKYO — Japan's leadership agreed to sweeping banking reforms on Friday, including the nationalization of insolvent banks, in an effort to stabilize a dangerously weak financial system that is strangling the country's growth and threatening the stability of global

By Sandra Sugawara
Washington Post Service

The agreement, if it holds and is aggressively carried out, could lead to the closure of several of Japan's major

Japanese authorities said that some crucial details of the deal remained unresolved. Nonetheless, they said the agreement - hammered out after days of tense, around the clock meetings proved that government was not paralyzed by indecision but instead was tak-ing action to halt the global economic

"As the country with the world's second-largest economy, I determined it wouldn't do for Japan to be the source of a global meltdown," said Prime Min-ister Keizo Obuchi, after announcing

banking plan, the governing Liberal Democratic Party was forced to accept a series of bold opposition proposals, in-cluding a system for the nationalization of insolvent banks and the stripping of substantial powers from the Finance Ministry.

Parliament.

banking plan, agreed to just two days before he is due to depart for America, would bolster Japan's economy and that he was glad he would have a plan to present to Mr. Clinton. He said the leg-

Party of Japan, the main opposition group, said the agreement "basically

Anxieties over the stability of Jap-

Japanese authorities say that Japanese banks have more than \$600 billion

See JAPAN, Page 15

Many Nations Fear Scandal Distracts U.S.

detail "makes me sick to my stomach."

A huge air force jet dispatched by the White House to carry official observers to last weekend's Bosnian elections arrived in Sarajevo with scores of empty seats. Every member of a planned congressional delegation had withdrawn from the trip at the last minute.

The reason, the members of Congress explained, was their need to stay in Washington and monitor the unfolding crisis over the Start report to the House of Representatives on possible impeachable offenses by President Bill Clinton.

Although a small coterie of senior Clinton administration officials spent several days in Bosnia, the absence of any lawmakers left some local officials shaking their heads over Washington's preoccupation with the fallout from Mr. Clinton's relationship with Monica Lewinsky.

The Clinton-Lewinsky affair has received considerable attention overseas, and as the president's political troubles deepen, many countries are growing in-creasingly concerned about their poten-tial impact on U.S. foreign policy. This article provides excerpts of reports by Washington Post correspondents who examined the effect the Lewinsky affair is having in five regions that are looking to the United States for leadership.

SARAJEVO — Without sustained U.S. attention and leadership over the next six months, officials in the Balkan region say, the crises in Kosovo, Al-bania and Bosnia could spill over borders and plunge the area into further violence, forcing a more costly U.S.

intervention later.

A senior Western policymaker in Rosnia said the worry was that the Clinin administration would not be able to focus on us any more."

With Washington preoccupied, this policymaker said, "it will be harder to get consensus" among the many countries with competing policies and agendas in the region, including Russia, France and

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KUALA LUMPUR — Amid political dogfights and the chaos of economic crisis, something in Malaysia has slipped by virtually unnoticed: This city, once a small, nondescript capital, has come of

As global markets shuddered and currencies plunged, Kuala Lumpur started up a symphony or-chestra, inaugurated a concert hall as well as Southeast Asia's largest airport, and opened stadiums, art galleries, a mass-transit system, a 50-acre park in the middle of the city and a raft of skyscrapers—notably the world's tallest buildings, the Petronas Towers all within the last three months.

By Thomas Fuller

ional Herald Tribun

"We drive through this city and we don't know where we are going," said Eddie, 47, a Kuala Lum-pur resident who spent an evening at the new park recently, gazing at the towers as his children played nearby. "Everything has changed so fast."

More than a year after the economic crisis hit, many Malaysians say that turnoil has remained largely in the headlines, such as those earlier this month about Prime Minister Mahathir bin Mohamad's banning the use of Malaysia's currency outside of the country and the dismissal of his deputy and anointed successor, Anwar Ibrahim.

Kuala Lumpur Grows Up (and Up) Their lives are much more likely to be touched by one particular fact of the crisis: Before foreign investors stampeded out of Asia last year, the concrete

FROM MALAYSIA AND GERMANY, TALES OF 2 CHANGING CITIES

had already been poured for projects that have changed the face of Kuala Lumpur. A city that three decades ago looked like a large botanical garden dotted with a few colonial-era buildings now has a distinct skyline. And a city once known only for its underground night life now has neighborhoods filled with bars and restaurants, places that despite the crisis are still hives of ac-

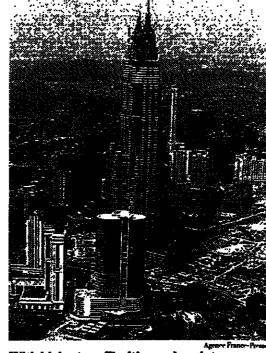
Cities across Southeast Asia mushroomed during the boom years as investors piled into what they saw

as new and promising markets. The difference, perhaps, is where the money Some cities, like Kuala Lumpur and Singapore,

built mass-transit systems and parks. Others, like Bangkok and Jakarta, seemed simply to expand

At the center of the new Kuala Lumpur are the 451.9-meter (1,483-foot) Petronas Towers, which Mr. Mahathir has said he built to put this town on the world map.
"I was asked the other day, "Why did you build

See KL, Page 4



With highest profile, it's nondescript no more.

Frankfurt's New Accent

Banking Center Is Transformed Ethnically

By William Drozdiak

FRANKFURT — Ever since Emperor Frederick II bestowed special protection in the 13th century on all foreign merchants who ventured here with their wares, this ancient trading crossroads on the Main River has attracted people the world over with its allure of prosperity.

In the second half of this century, the

guest workers who came from Turkey, Greece and Italy to help rebuild Germany from the ruins of World War II have been joined since the fall of the Berlin Wall nine years ago by tens of thousands of Poles, Iranians, Yugoslavs and Russians. The number of foreigners - meaning people of non-German ancestry - has soared to the point where they now make up about 30 percent of Frankfurt's pop-ulation of 652,000, according to the

latest figures. The ethnic transformation of this affluent banking center — it is now host to the European Central Bank, whose task will be to govern the single currency, the euro - vividly demonstrates the changing human face of Germany as the nation's blue-eyed and blond Tentonic stereotype undergoes a "rainbow revolution

Whether you like it or not, Germany is already a very ethnically diverse society and is getting more so by the day," said Jutta Ebeling, Frank-furt's superintendent for multicultural affairs, in an interview

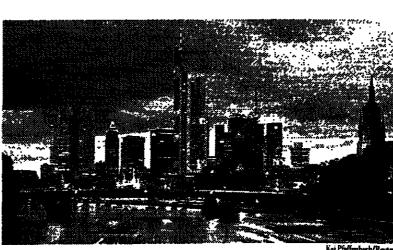
But not everybody is pleased by the trend. A growing number of Germans say they fear immigrants have become a menace to their nation's identity. A recent survey by the Forsa polling institute showed that 52 percent of German voters think there are too many foreigners and that 10 percent would consider voting for an extreme-right party with a xenophobic platform.

The message has not been lost on Chancellor Helmut Kohl and his Social Democratic challenger, Gerhard Schroeder, as they scramble for votes Kohl Gains on Schroeder in Election Poll in the national election Sept. 27. Saying that Germany's borders have become too porous, both candidates have escalated their promises to crack down on would-be immigrants and deport all foreigners who commit crimes.

At campaign rallies, especially in the East where harred of foreigners is most evident, Mr. Kohl hammers away that "Germany must not become a land of immigrants" and must remain rooted in its traditions as "a bastion of Christian civilization."

In turn, Mr. Schroeder evokes his American-born stepdaughter and says he would not be averse to letting foreigners living in Germany hold two passports. But the day is approaching

See FRANKFURT, Page 4



The skyline of Frankfurt, ancient trading crossroads on the Main River.

BONN — Germany's opposition Social Democrats saw their lead over Chancellor Helmut Kohl narrow to just two points in an opinion poll made public on Friday, nine days before the country's general election.

The Politbarometer poll conducted by the Electoral Research Group put the Social Democrats at 39.5 percent, 1.5 points lower than a week ago, while Mr. Kohl's conservatives gained 0.5 points to 37.5 percentage points.

It was the first time the Social Democrats, whose lead has recently been as wide as 10 points have seen

been as wide as 10 points, have seen their rating fall under 40 percent since they named Gerhard Schroeder as their candidate in March.

The ecologist Greens, seeking a place in government as junior partner to the Social Democratic Party, remained at 6 percent.

If those results were repeated in the Sept. 27 vote, the Social Democrats and Greens would only secure a parliamentary majority if the reform communist Party of Democratic Socialism failed to get into Parliament, the pollsters said. That party scored 4.5 per-cent in the poll, below the 5 percent threshold that is needed to enter Par-

Mr. Kohl also gained in terms of personal popularity as his rating rose from 36 percent to 39 percent, while Mr. Schroeder's rating fell from 57 percent to 50 percent.

But in order to win enough votes for a

The party originally resisted many of these proposals. But with the plunging popularity of the Obuchi government and the worsening recession in Japan, Mr. Obuchi was forced to make concessions to get the necessary votes for passage. The Liberal Democratic Party lacks a majority in the upper house of

American officials have also stepped up pressure on Japan in recent weeks to fix its banking system, asserting that Japan's economic woes were key to calming shaky world markets. Clinton administration officials had indicated they would like to see an agreement by to meet with President Bill Clinton in New York, his first meeting with Mr. Clinton since becoming prime minister in late July.

Mr. Obuchi said that he thought the

islation would be passed before the cur-rent session of Parliament ends Oct. 7. Naoto Kan, leader of the Democratic

represents the total acceptance" of the opposition's proposals.

But he added, "There is still a lot of

work to be done on details."

anese banks have made it increasingly difficult for them to raise money in global financial markets. Alicia Ogawa, a banking analyst with Salomon Smith Barney, estimates that most major Japanese banks are critically undercapit-

AGENDA

EU May Review Nigeria Sanctions

BRUSSELS (Reuters) — The European Union said Friday it was ready to review its sanctions against Nigeria in response to steps the government in Abuja has taken to restore civilian rule.

A statement issued by the EU

president, Austria, welcomed steps toward democratization. The sanctions, including an arms embargo and visa ban on the Nigerian leaders, were imposed in 1995 over the execution of the author Ken Saro-Wiwa and eight other activists.

New Nerve Gas Tests Counter U.S. Results

Swiss and French tests for a poison gas on Iraqi missile warheads appear to have reached results contrary to those of American tests that showed the presence of VX, a deadly nerve agent, according to diplomats. Page 5.

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By David Hoffman Hushington Post Service

MOSCOW - Russia's strategic nuclear weapons complex, stretching from bomb-design laboratories to missile silos, submarines and early warning systems, is showing fresh signs of distress and decline amid the country's economic implosion.

The evidence is scattered and incomplete because the complex is shrouded in secrecy, but recent public disclosures suggest that thousands of workers in the atomic arsenal are not being paid for months at a time and that there have been major setbacks in Russia's plans to modernize its weapons systems.

Moreover, President Boris Yeltsin recently signed a top-secret strategic weapons review that is designed to lay out priorities for Russian forces into the next century. Western analysts and Russian officials say the plan envisions continued shrinkage of the strategic arsenal. but that the actual decline may be even deeper and faster than the Kremlin fore-

Russian officials have repeatedly claimed that their strategic nuclear forces are secure and that an accidental launch or theft of a weapon is not possible. But as the country has sunk deeper into economic chaos, there have been glimpses of disorder and despair among the guardians of its nuclear forces, who often are situated in remote, poorly supplied, "closed" bases and cities.

For example, Alexander Lebed, the retired army general and governor of the huge Krasnoyarsk region in Siberia, sent an open letter to Moscow in late July demanding that servicemen at Uzhur-4, an intercontinental ballistic missile base southwest of Krasnoyarsk city, should be paid their back wages.

Mr. Lebed said he was "seriously thinking of establishing territorial ju-risdiction" over the base, which could become a headache for the world community along with India and

Servicemen at the base had not received their pay in five months, Mr. Lebed said, and before he sent the letter. wives of the servicemen had protested by blocking them from reporting to work at the missile silos. In the nuclear-weapons design sector,

too, complaints have been intensifying. Workers at Russia's premier weapons laboratory, Azzamas-16 — now known as Sarov — and other design and construction centers staged public protests last week to highlight the government's failure to pay them.

When the workers went to the Ministry of Atomic Energy, which oversees weapons design and manufacture, the

acting minister, Yevgeni Adamov, told them that the government owed the min-istry \$170 million and had not given it so much as a ruble in two months.

The strained Russian military has been plagued by a series of grisly mass killings by distraught and deranged servicemen, mostly in conventional forces. But the prospect of a more serious incident was raised last weekend when an armed conscript aboard a nuclearpowered submarine went berserk and gunned down eight of his shipmates at a base near the Arctic port of Mur-

Aside from human stress, there are signs of continuing deterioration in the hardware of Russia's nuclear weapons delivery systems and its early-warning network for detecting ballistic missile launches. Some Western analysts have warned that Russia's impaired earlywarning system could provoke a mistaken decision to launch a retaliatory

Russia maintains two fleets of space satellites to spot missile launches, but their shortcomings were outlined in a report by the Congressional Budget Office, which found that the satellites do not provide 24-hour coverage.

The report said that Russia maintains six satellites in high elliptical orbit that use relatively unsophisticated sensors to monitor possible missile launches against the background of space.

The vulnerability of Russian early-warning systems was highlighted by a recent North Korean launch of a ballistic missile that fell into the Sea of Japan, off Russia's Far East coast.

The first comment by Russian Rocket Forces spokesmen was that their earlywarning system "did not register" the launch, and subsequent explanations were contradictory.

BRIEFLY

Clinton Veto

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Teachers in France: Strike Over Hiring

PARIS - Teachers across France walked off the job Friday to protest a hiring freeze by the leftist government, and thousands staged a march in the capital during the first strike of the new school year, Of nearly 667,000 of the teachers in kindergartens, junior high and high schools nationwide, at least 11.3 percent were on strike, the National Education Ministry said. No new talks were planned. (AP).

Ulster Frees Lifers

Northern Ireland serving life sentences for murder were released from prison Friday under the terms of the British-ruled province's peace. agreement, the prison service said Four members of two pro-British Protestant guerrilla militias and one. Roman Catholic from the Irish Re-

publican Army were freed from the Maze prison near Belfast. A spokeswoman for the Northern Ireland's Prisons Office said the menhad served between 10 and 14 years. each.

French Rightist Bid

TOULON - France's extremeright National Front will make a new bid Sunday to win back its only. seat in Parliament in this southern

In the June 1997 general election.

Jean-Marie Le Chevallier, the National Front mayor of Toulon, scored his party's only victory, but he was stripped of his seat for exceeding the campaign spending limit. (Reuters)

For the Record

Police in Geneva stopped work for a day in a protest over 400,000-hours of unpaid overtime. (Reuters).

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Albania Lifts Immunity of Ex-President Berisha May Be Charged With Attempting a Coup During Recent Unrest

Mr. Berisha's immunity. The Democrats have been boycotting Parliament TIRANA, Albania - Parliament on since July, but the government had enough votes in the 155-seat chamber to Friday lifted the immunity from prosecution of the opposition Democratic pass the motion even if they had been

Party leader, Sali Berisha, clearing the way for prosecutors to charge him with

attempting a coup.

The Socialist-led coalition of Prime Minister Fatos Nano has accused Mr. Berisha, a former president, of trying to overthrow the government during serious unrest last Monday sparked by the murder of a senior Democratic politi-

cian, Azem Hajdari. 'Parliament decided to lift Berisha's immunity and to let the prosecutor start a criminal case against him," the speaker of Parliament, Skender Gjinushi, announced after the vote.

"Any arrest is up to prosecutors," he added. "If they think it is O.K. to contime, they might arrest him."

Out of 113 members participating in the vote, 108 voted in favor of removing

missed the allegation as fantasy. Mr. Berisha was not immediately available for comment. Officials said he was meeting other party leaders at his

headquarters in Tirana. Before the vote, the former president led a peaceful march of about 3,000 people in Tirana's Skanderbeg Square, continuing his week of protest. There was no obvious police presence

Under Albanian law, Mr. Berisha faces the death penalty or life impris-onment if convicted of attempting to

overthrow the government. He has dis-

in the square, but a convoy of police and military vehicles had earlier made a show of force in the area. Mr. Berisha, who blames Mr. Nano's

told the crowd that the police had set up roadblocks on a main road into Tirana to prevent protesters from joining the rally, but this could not be independently con-

government for Mr. Hajdari's murder,

Tirana erupted in the worst violence in 18 months on Sunday and Monday. At least five people were killed and dozens injured in clashes with the police during the unrest.

■ Kosovo Chief Backs U.S. Plan

Kosovo's top Albanian leader gave his public backing Friday to a U.S.sponsored plan denying his people the independence they seek but offering them peace and local autonomy in the Serbian province, The Associated Press reported from Pristina, Yugoslavia.

Ibrahim Rugova endorsed the plan amid news of further battlefield losses by Albanian guerrillas to better-armed Serbian and Yugoslav forces.



Sali Berisha, a former president of Albania, flashing a V-for-victory sign Friday at a rally in Tirana that was attended by 3,000 people.

U.S. Charges Bin Laden Aide in Kenya Bombing

By Benjamin Weiser

NEW YORK - Federal authorities charged Thursday that the bombing of the U.S. embassy in Kenya last month was orchestrated by an Islamic extremist from the island nation of Comoros who reported directly to Osama bin Laden, the Saudi exile who is now the focus of the worldwide investigation of

Broadening the case against Mr. bin Laden's organization, the govof Haroun Fazil, who has been eluding authorities since a warrant was his operatives and lieutenants. issued for his arrest late last month.

Mr. Fazil has been accused of 12 counts of murder, one for each American who died in the embassy, as well as murder conspiracy and the use of weapons of mass destruction. He could face life imprisonment or the death penalty if convicted.

Federal officials also said they had arrested a man who they said was the personal secretary to Mr. bin Laden when both men lived in Sudan in 1994.

The defendant, Wadih Hage, of Arlington, Texas, is the first Amer-

bin Laden and the embassy attacks. Mr. Hage appeared before a fed-eral magistrate judge in Manhattan late Thursday and was charged with three counts of making false statements to investigators. A federal prosecutor, Patrick Fitzgerald, told the magistrate that the government would indict Mr. Hage on new

ordered held without bond. in Manhattan, and Lewis Schiliro, ernment offered a \$2 million reward York, show more clearly how in- Hafs Masry. for information leading to the arrest vestigators are methodically building the case against Mr. bin Laden,

charges by Monday, and he was

Mr. bin Laden has been charged few other details about either men. in a sealed indictment with various acts of terrorism. The government has not said when or whether it plans an indictment in the bombings. Ms. White said that Mr. Fazil was

terrorist group. "He's an allegedly major player in the organization." Ms. White said.

The announcements also shed light on the investigation of Mr. bin mid-20s who speaks fluent French, Laden that dates back to before the Swahili, Arabic, and English and is nearly simultaneous bombings of adept with computers. ican citizen known to have been U.S. embassies in Kenya and Tan-

A federal complaint unsealed Thursday shows that Mr. Hage was interviewed by the authorities in New York as early as September 1997 and questioned about Mr. bin Laden's activities and his associates. At the time, the complaint says,

Mr. Hage admitted having worked was constructed and of hiring two The charges disclosed Thursday as Mr. bin Laden's personal sec-people to clean the room after the by Mary Jo White, the U.S. attorney retary and to knowing two of his top attack. military commanders, identified as assistant director of the FBI in New Abu Ubaidah Banshiri and Abu

Mr. Banshiri drowned in a ferry accident in East Africa in 1996, the court papers said, but they offered Nairobi.

Mr. Schiliro would not say where the authorities believe Mr. Fazil has fled or how he may have left the Comoros, which are in the Indian Ocean southeast of Tanzania and "a very active member of the Kenya This month, the FBI and the to Kenya from Sudan in 1994, the Kenyan cell" of Mr. bin Laden's Comoros police raided two homes government said, before returning to on the island of Moroni, looking for

Mr. Fazil, and questioned his wife. The authorities described Mr. Fazil as an explosives expert in his

Although the federal complaint charged in the investigation of Mr. zania. In those attacks, on Aug. 7, did not describe precisely Mr.

more than 250 people died, 12 of fazil's rank in Mr. bin Laden's orthem Americans, and thousands of ganization, it suggested that his role people were wounded. nificant than that of the three suspects who have been arrested and are being held in Manhattan.

In the Kenyan bombing, Mr. Fazil was accused of renting the room in the Hilltop Hotel in Nairobi where investigators believe that the bomb

On Aug. 7, the day of the attack, the government said, Mr. Fazil drove a white pick-up truck that led another vehicle, which was carrying the bomb, to the embassy Prosecutors did not directly accuse

Mr. Hage of a role in the embassy bombings. But the documents say that Mr. Fazil and Mr. Hage were close and that the two shared a house last year in Nairobi. Mr. Hage moved the United States in 1997.

Mr. Hage did not speak in court Thursday, but his supervisor at the Fort Worth, Texas, company where he works. Lone Star Wheels & Tires, said that Mr. Hage told him on Monday that he had to take care of personal business in New York and would return in two days.

Mexico to Probe Police Drug Unit

New York Times Service MEXICO CITY -- Mexico's attorney general has promised to conduct a "profound" investigation into possible corruption of an American-trained police unit and insisted that anti-drug cooperation with the United States should continue without interruption.

But Attorney General Jorge. Madrazo Cuellar also bristled Thursday at the statement by law-enforcement officials in Washington that problems with the Mexican unit might have resulted in the betrayal of important American information to powerful traffickers.

We share with the United States much, much more information that we ourselves generate than we get from officials there," Mr. Madrazo said. U.S. officials had disclosed

that three top investigators of an organized-crime unit of the attorney general's office had failed lie-detector tests that U.S. experts administered this month. They were all found to be lying when they were asked whether they had provided information to traffickers, officials of both countries said.

TRAVEL UPDATE

Talks Fail With Europe's Truckers

BRUSSELS (AFP) - European haulage companies and truckers' unions failed Friday to agree an EU-wide accord on a 48-hour working week, both sides announced.

The failure of the talks sets the scene for a fresh wave of truckers' strikes and protests this winter, potentially bringing chaos to Europe's roads. Both sides agreed to meet again on

Sept. 30 in a final attempt to reach an agreement.

The European Commission said it "deplored" the employers' and unions' failure to strike a deal. "A great opportunity has been missed," the EU's social affairs commissioner, Padraig Flynn, said. He added that if no agreement were reached on Sept. 30, the commission would table proposals for new legislation to enforce a 48-hour week.

Hurricane Races Toward Caribbean

– A IIUMCANE CESI fourth of the Atlantic season, was heading toward the Caribbean. Forecasters alerted residents on the U.S. Gulf coast. Georges was several days away from any land, but could threaten the islands of the Lesser Antilles, forecasters said." In the Gulf of Mexico, a tropical depression drifted erratically, prompting a tropical storm watch to be raised from Matagorda, Texas, to Grand Isle, Louisiana.

A train outlining the origins of culture and the development of Western civilization is to depart for a threemonth tour of 11 Balkan and European cities, the organizers, Artists Without Borders, a Greek nonprofit group, said. It will first stop at Sofia on Wednesday.

Strong tremors and lava spurts were recorded Friday inside Mount Etna as the Sicilian volcano continued to rumble back into life. For several days, activity has been building up.

The release's last major eruption was in 1991. (AFP)

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Change in Controls on Satellite Sales

Accord in Congress Would Return Export Power to State Dept.

By Eric Schmitt

WASHINGTON -- House and Senate negotiators have agreed to shift control over the exportation of U.S. satel-Department.

The satellite provision, part of a conference report worked out Thursday, requires full House and Senate approval. That could come as early as next week. Licensing jurisdiction over

commercial communications satellites would be transferred March 15. Satellites while carrying a U.S. satellite would be returned to the "munitions list," a grouping of the nation's most sensitive Department investigation inmilitary and intelligence-

gathering equipment. Some space experts and a senior government auditor have said that controls on satellite exports to China aides have threatened a White spokesman for the composer

tion transferred authority to Commerce department offi-commerce in 1996. Commerce lawmakers to The Commerce Depart-

than 10 House and Senate committees are investigating whether the change allowed the exportation of sensitive satellite technology and enlites back to the State De-partment from the Commerce whether the change allowed satellite technology and engineering know-how that may have helped Beijing improve the reliability of its long-range missiles.

The disclosure that in 1996

U.S. companies helped China investigate what went wrong with a rocket that exploded prompted the Congressional investigations and a Justice to whether unauthorized assistance from the American companies helped the

Chinese missile program. administration

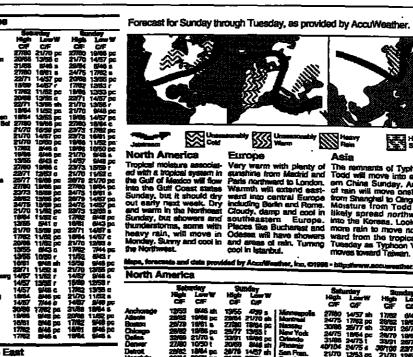
mising national security, a Senate hearing Thursday, since the Clinton administra-senior Defense, State and leave control of satellite exment denies this, but more ports with the Commerce De-

> readiness is eroding and topquality troops are leaving in large numbers, vetoing the military budget bill would carry huge political risks for the president.

Correction A report in the People

column on the back page of Tuesday's editions stated incorrectly that the British composer Andrew Lloyd Webber was planning a musical based on the Action Man doll. A have been loosened, compro- House veto of the measure. At said there were no such plans.

WEATHER



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Clinton Veto Stands on Abortions

Senate Is 3 Votes Short On Late-Procedure Ban

The Associated Press
WASHINGTON — The Senate fell three votes short on Friday of overriding President Bill Clinton's veto of a ban on certain late-term abortions. The 64-to-36 vote followed emotional arguments over why Congress should take the rare step of enacting legislation over a president's objections.

Four Republicans joined 32 Democrats to sustain the veto, while 13 Democrats and 51 Republicans voted for the override. The vote put an end to efforts to enact the ban, at least until a new Congress convenes in January.

The House voted, 296 to 132, in July to overturn the veto. The legislation would have banned a procedure that is called "partial birth" abortion by its critics, including social conservatives whose support is critical to congressional Republicans. It involves the partial delivery of the fetus through the birth canal,

after which the fetus is destroyed.

Supporters of the bill said the procedure was barbaric and inhumane. Opponents said the ban would unconstitutional because it made no exceptions for protecting a woman's health.

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"This is a terrible thing," Senator Robert Smith, Republican of New Hampshire, declared before the roll was called, saying he prayed senators who opposed the ban would "see the light" and change their positions. But Senator Barbara Boxer, Democrat of California, said that if Mr. Clinton had signed the bill "he would have been putting a woman's health and her life at risk."

■ House Limits IMF Funding

In a setback for the president, the House approved only a fraction of the nearly \$18 billion that he is seeking for the International Monetary Fund, The New York Times reported. The action late Thursday, which prompted a White House veto threat, left the agency in limbo as the IMF's reserves dwindle and economic crises spread.

_ The Senate has approved the full amount, and there is a chance that when both houses meet in the next few weeks to iron out differences on this and other issues, they will agree to provide the

Clinton administration's full request. But even if they do, the IMF financing is tied up with other contentious matters, so full funds are by no means certain.

■ Worry in Seoul on Oil Funds

'- South Korean officials appeared concerned about the implications of failure of the Congress to approve \$50 million for shipping 500,000 metric tons of heavy oil to North Korea under an agreement signed by U.S. and North Korean officials in Geneva four years ago, the International Herald Tribune reported from Seoul.

If the United States did not somehow find the funds, said Park Kwang Ho, an official in the Unification Ministry, "we will have a big problem." He predicted that the North would "do its best to force the United States to provide heavy fuel," possibly by delaying the canning of heavy spent fuel from the facility where it was developing nuclear weapons be-fore the signing of the agreement.



David Kendall took a considerable risk in agreeing to the videotaping.

Tape Strategy: Did Starr Outwit Clinton's Lawyer?

By Ruth Marcus thington Post Service

WASHINGTON - Even before the House Judiciary Committee voted to make public the videotape of President Bill Clinton's grand jury testimony, the

finger-pointing had begun.

Mr. Clinton's private lawyer, David Kendall, insisted Thursday that it was not his miscalculation, but the ill will of the independent counsel, Kenneth Starr, that led to the president's latest predicament: the prospect of four hours of television in which he appears angry, evasive and uncertain at times.

But Mr. Starr fired back in a statement that it amounted to a bad bargain for the President. Legal experts and even some political strategists close to the White House weighed in, too: They were incredulous that Mr. Clinton's legal team had made the risky decision to agree to the videotaping, especially with impeachment proceedings looming.

În an unusual public statement, Mr. Kendall asserted that Mr. Starr insisted on videotaping so the testimony could be seen by any grand jurors not present at the courthouse Aug. 17 to watch it on closed-circuit television. Mr. Starr, Mr. Kendall said, refused

an entreaty to destroy the tape after that.
"The only purpose of preserving this videotape after any absent grand jurors viewed it was to ensure its public release and embarrass the president," Mr. Kendall asserted.

Mr. Starr retorted that Mr. Kendall had originally agreed to the videotaping but, three days before the testimony was to take place, "began trying to back-track" and asked that the tape be destroyed.

"Consistent with our legal and ethical obligations, we cannot and will not destroy evidence of a crime, Mr. Starr said in his statement.

As the two legal teams tangled, outside lawyers focused on what was apparently the strategic mis-calculation by Mr. Kendall. Release of the tape, they argued, was foreseeable. Rather than risking that, these lawyers said, Mr. Clinton would have been far better off either having the grand jurors to the White House or, if necessary, testifying in person.

"It's a time bomb, and I can't understand why the

lawyers agreed to let it be created," said a St. John's University law professor, John Barrett. "You can't know what the bargaining was, but it seems like a fairly dangerous thing to have agreed to, and I don't see why it was more attractive than doing it live."

In their negotiations, Mr. Kendall did secure what Mr. Starr described as "remarkably unorthodox conditions" for Mr. Clinton. The subpoena was withdrawn, the questioning took place at the White House, a time limit was imposed and the president's private and White House lawyers were allowed to attend the

Mr. Kendall said Thursday night that he had bargained unsuccessfully to win an agreement for Mr. Starr to give advance notice to Mr. Clinton and an

opportunity to object in court before turning over the tage to Congress

He said he had also raised the subject of destroying the videotape upon receiving information that it might be needed for absent grand jurors.

Still, some legal experts said the risk Mr. Kendall took was considerable.

"This testimony was not going to prove life-en-hancing for the president," said a Columbia Uni-versity law professor, Gerard Lynch. Testimony "preserved on a transcript is less raw, would be seen, absorbed, anderstood by fewer people, and would have less impact" than videotape.

Mark Fabiani, a former White House special counsel, said that before the videotaped Whitewater testimony, officials wrestled with the risk of videotaping.

Those were charged debates because the real fear was that in the middle of a presidential campaign you would have videotapes become available and used in campaign commercials," he said, "David and other lawyers argued successfully that we're dealing with federal judges who are going to treat his testimony the same as the testimony of any other witness" - and therefore, they would prevent it from being broadcast.
But in the case of Mr. Clinton's latest testimony, the

fact that Mr. Starr was widely expected to send an impeachment report to Capitol Hill meant that the ultimate arbiter of its release would not be a federal judge but the Republican-controlled House of Rep-

Fewer High School Students Having Sex, New Study Says

WASHINGTON — After two de-cades of climbing steadily, the propor-tion of American high school students who have had sexual intercourse has fallen 11 percent during the 1990s, according to a new federal study. Young people now are also more

likely to use condoms and less likely to have multiple sex partners. For the first time this decade, fewer than half of the nation's high school

students say they have had sex, with the

most dramatic decline among boys. The new survey data show that just under 49 percent of young males reported that they were sexually experienced, down from more than 57 percent in 1991. For girls, the figure was just under 48 percent, down from about

The findings, combined with other recent studies showing fewer teenage pregnancies and a decline in teenage

births in every state, point to a remarkable change in behavior among the naable change in behavior among the ha-tion's young people that researchers at-tribute to the growing barrage of messages from schools, community groups, churches and families urging them to delay sex and protect them-

selves against AIDS. "It is truly good news for all of us involved in the lives of America's teenagers," said the secretary of health and human services, Donna Shalala.

The biennial study, known as the Youth Risk Behavior Survey, is designed to measure the extent to which high school students are in danger of contracting AIDS and other sexually transmitted diseases or becoming preg-

The latest study was conducted last year among more than 16,000 high school students of all ages, who completed written questionnaires about a range of sexual activity.

Away From Politics

• A once-a-day drug for AIDS treatment that offers the first good alternative to patients who cannot take protease inhibitors has been approved by the Food and Drug Administration. The drug, called Lumber Co. said the death of David Sustivals, is made by DuPont Phart Chain! 24, was accidental but the macenticals. It appears to be about as "environmental group Earth" First, effective as protease inhibitors. But it which staged the protest, said the log must be taken in combination, if not gers had been deliberately felling with a protease inhibitor then with with a protease inhibitor then with older AIDS medicines, the federal agency cautioned.

• A fire in a dormitory at Murray State University in Kentucky killed one student and injured 14 others, one critically. The fire started in the same area of Hester Hall where another blaze occurred several days earlier, fire officials said. The causes of both (AP) blazes were undetermined.

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• A falling redwood tree killed a protester who was one of a group trying to dissuade loggers from cutting a stand of the huge trees near Carlotta, California. The Pacific

 Security rules for searches at fed eral buildings imposed after the 1995 bomb attack in Oklahoma City, in which 168 people were killed, are unconstitutionally allowing guards to look for drugs, an appeals court in San Francisco ruled. The rules must be narrowed to allow only searches for weapons and explosives, the 9th U.S. Circuit Court of Appeals said. (AP)

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POLITICAL NOTES

Mrs. Clinton Leaning On Deeds, Not Words

WASHINGTON — All the people who had been clamoring to hear from Hillery Rodham Clinton following her husband's admission of an extramarital affair have gotten their wish - sort

Recent days have yielded a wealth of words from the first lady, none of them on the subject that happens to be consuming official Washington. Despite the yearning of many of the president's political advisers that she speak out publicly with words of forgiveness for him, aides and friends say she is determined that the best way to chase away scandal clouds is through immersion in policy, not through an emotional undressing on national tele-

While the president was on the road Thursday at fund-raisers, Mrs. Clinton started the day at the District of Columbia's Marie H. Reed Community Learning Center, where she appeared with the pop singer Kenneth (Babyface) Edmonds to promote the importance of arts instruction in public schools. A few hours later she was at the White House with educators and business executives, speaking on the same theme. 'This is definitely what her focus is

on," her press secretary. Marsha

Berry, said of the first lady's recent sprint of policy and political appearances, which will be extended later this month with heavy domestic and foreign travel. With the administration now in its sixth year, Ms. Berry said, 'there's limited time, and she wants to make use of all the time on issues that people elected this administration to

"She thinks the rest of it is private," Ms, Berry added.

Videotape to Be Seen In Full and Quickly

WASHINGTON - The curious will get to see all four hours of the videotape of President Clinton's grand jury testimony almost immediately after itsrelease Monday morning.
CNN, Fox News Channel, MSNBC

and a variety of websites will carry it in full and without commercial breaks as soon as they receive the feed from the House of Representatives. It voted Friday to release the tape.

But the major news networks appear to be taking a wait-and-see attitude, wrestling with what Sandy Genelius, a CBS News spokeswoman, described as "uncharted territory, because of material that may offend

By Thursday night, CBS had still not decided whether it would show

parts of the testimony soon after the tape became available, and if so what parts and how much, or whether, Ms. Genelius said, "to put it on the air as it comes in." But the network has decided to put the complete testimony on its website immediately, except for a 20-second delay in case it is deemed necessary to edit any words considered objectionable.

ABC and NBC both plan to broadcast portions of the testimony when it is first released, on the assumption that anything objectionable is not likely to appear until later in the tape, and to incorporate additional portions into regularly scheduled newscasts. The testimony will be broadcast simultaneously and without interruption on

the websites of both networks. "The reason for the different standard between networks and their websites," Eileen Murphy of ABC said, "is that everyone has access to our network, including lots of children. On the website you have to deliberately seek it out."

Quote/Unquote

Thomas Finneran, the Democratic speaker of the House in Massachusetts, explaining why he would not appear with the president at a fund-raiser: "Bill Clinton almost makes Nixon look like a moral giant the way it is going."

(NYT)

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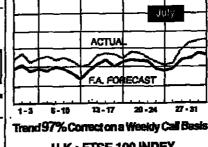
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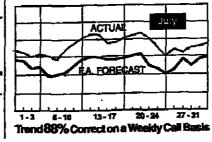
Rebecca Nolan's track record is remarkable. The methods she uses to forecast trends on the D.J. and other major markets may be unconventional but they certainly beat more traditional methods used by financial analysts you read in the newspapers. As the "Asian Wall Street Journal[®] stated: "Don't confuse Rebecca Nolan's market forecasts with 'hocus pocus". Her investment advice is based on mathematical techniques, which she has spent over 20 years perfecting!"

Here are some of her July forecasts from the last issue showing the forecast daily movements and her actual accuracy percentage on a weekly trend basis. U.S. TREASURY BONDS (The forecast accuracy of all the above charts have

"Actual" vs. F.A. "Forecast"



U.K.: FTSE 100 INDEX "Actual" vs. F.A. "Forecast"



About the Editor

Rebecca Nolan, Editor of FINANCIAL ASTROLOGY.

Rebecca Nolan is a mathematician and financial astrologer. She maght mathematics for many years at U.S. universities. In 1990 when the visited Hong Kong, the was persuaded by certain well-known businessmen there to accept chems. She now consults regularly to several Heads of State and wealthy investors and businessmen. She is featured regularly in imagazines and newspapers and has appeared on tasks and television. She is a member of the 30,000 strong American

"It's Easy to Become a Millionaire, But to Become a Billionaire You Need an Astrologer'

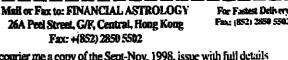
This was once stated to a newspaper reporter by J.P. Morgan, who founded J.P. Morgan & Co., and was one of the most

successful investors in history. Today there are many fund managers and currency analysts who privately and quietly use financial astrology to predict stockmarket, currency and commodity futures turning points.

An international daily newspaper quoted the manager of a large Japanese securities house as saying his company had made "huge profits" last year using financial astrology... "More than 70% of the foreign exchange predictions we made last year were correct." he said.

Rebecca Nolan is also bullish on the gold price. Order a copy of the Sept-Nov. 1998 issue, which contains her October forecast of a major correction on the Dow. or subscribe for the next 4 issues, and vou'il be sent a FREE "Gold Price Wall Chart" showing daily forecasts of the trend in the gold price over the Farmers 1-techny next 4 months. Take advantage

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An Agitated Iran Buries Its Dead, but Mediation May Cool War Passions.

By Douglas Jehl

TEHRAN - To shouts of "Death to Taleban!" and to the wail of a Shilte dirge, tens of thousands of people diplomats were borne toward martyrs'

The demonstration was the largest and angriest since the killing of diplomats ignited a crisis between Iran and Afghanistan s militant Taleban movement, and it was mirrored on a smaller scale in other rallies held around the

One of Iran's most senior clerics declared the country "ready for holy war" against the Taleban, followers of a rival Muslim faith.

similar slogans as they marched along more than 250,000 soldiers will be in solved under military pressure." crowded streets, there were signs that international mediation might help to cool the passions.

In response to an Iranian request for thronged the streets of Tehran in protest intervention, Pakistan's foreign minis-Friday as the bodies of six slain Iranian ter, Sartaj Aziz, announced Thursday that the Taleban movement would soon free some of the Iranian prisoners whose return has been demanded by Tehran as a condition for averting possible military

> At the same time, Iranian officials said that President Mohammed Khatami would press hard for a more active UN role in resolving the dispute when he visits New York next week to address the General Assembly.

buildup of military forces along the Afghanistan saying that the problems

place by Saturday to take part in a new round of threatening military exercises.

Such a force would represent fully half of the Iran's known troop strength. Western diplomats have suggested that its size is almost certainly being exaggerated, and journalists have been denied permission to travel anywhere near the Iran-Afghan border.

But the exercises, to include troops backed by tanks, aircraft and artillery, are nevertheless expected to serve as a major projection of military muscle that would underscore the anti-Taleban fervor on display in the demonstrations

The Taleban leader, Mullah Mo-Still, Iran has continued to add to a hammed Omar, issued a statement in

But even as ordinary Iranians shouted Afghan border, where it has said that between the two countries "will not be

But Taleban commanders have responded to the Iranian buildup with a military buildup of their own, and they have vowed to retaliate against targets inside Iran if Iranian forces launch any kind of cross-border raids.

Iran has vowed to avenge the deaths of at least eight diplomats and a journalist who were killed last month when Taleban forces overran an Iranian consulate in the northern Afghan town of Mazar-i-

It has also said that military intervention may be necessary to half what it has portrayed as the slaughter of fellow Shiite Muslims at the hands of the Taleban, purist followers of Islam's dom-

inant Sunni faith.

Western diplomats and Iranian experts say it is unlikely that Iran, with its bitter memories of the 1980-88 war with Iraq. might launch a major invasion of Afghanistan that would risk prolonged military conflict.

But unless others can persuade the Taleban to meet a long list of Iranian demands, Western diplomats say they believe it remains possible that Iran might carry out some kind of limited military attack.

With measures including the funeral procession that began after Friday prayers, Iran has also clearly tried to keep emotions at high pitch.

In the chaotic scene that followed the Friday prayers, the Iranians' coffins were paraded through streets in which wore a shapeless black chador. "They Iranian officials have insisted that the jostling was so severe that the coffins are criminals."

they have little appetite for conflict, and on several occasions were almost toppled to the ground.

Mideast Env

Kurdish Chiefs

End Rivalry in

Northern Iraq

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The coffins were later loaded into ambulances for the rest of the journey to a special cemetery outside Tehran already filled with the bodies of scores of thousands of Iranians killed in the war

with Iraq. On the street, anti-Taleban emotions ran so high that many Iranians who said relatives had been killed in Iran's last war said they believed the killings committed in Afghanistan could well justify another conflict.

"I'll do anything for Islam, and what the Taleban is doing is against Islam," said Shireen Saidpour, a 35-year-old government employee, who like most women taking part in the demonstration

Gingrich Calls All the Shots In Deciding **Clinton Case**

By David E. Rosenbaum New York Times Service

WASHINGTON - At a news conference on education legislation, the first question put to Speaker Newt Gingrich involved the White House scandal.

Mr. Gingrich snapped at the questioner. "We in the Congress are actually focusing on substance," he asserted. Yesterday, I spent less than 45 minutes total on the topic that interests you

That is the pose the House speaker has tried to assume all week: the impartial observer waiting for his lawyers on the Judiciary Committee to sort out the facts and set the policy on how to deal with President Bill Clinton's transgressions, while he deals with the people's busi-

But behind the scenes, according to other Republican lawmakers, not a step is taken or a decision made without the approval of Mr. Gingrich, possibly the most partisan and certainly the most dominant speaker in the last genera-

'Look, the speaker is the speaker,' said the chairman of an important committee who insisted on anonymity. "He calls all the shots. If tapes are going to be consults with us. He listens to us. But he makes the calls."

At a closed meeting of House Reconcern about the release of sexually proper use of grand jury testimony."

explicit portions of the videotape of the Meanwhile, the Clinton administration president's grand jury testimony.

Mr. Gingrich — angry, according to

some who were there, or merely firm, according to others - rose to his feet and declared that the House had already voted to make the material public and that Republicans were not going to back down in the face of complaints from the White House and Democrats in Congress. Mr. Gingrich called the president a "misogynist, a person who hates women. At the same meeting, Representative

Gerald Solomon of New York, the chairman of the Rules Committee, reiterated a point that Mr. Gingrich made in a speech last week by remanding his colleagues come. that the rules of the House did not permit language in floor debates that ridiculed or otherwise abused the president. When Mr. Gingrich walked out of the

meeting and into a gaggle of reporters and cameras, he made a conspicuous show of talking about other issues trade and the economy -- and even praised Mr. Clinton's efforts to renew world economic growth.

When reporters persisted in asking questions about impeachment and videotaped testimony, Representative John Bochner of Ohio pushed the speaker from the microphone so that staff members could usher him away. It is very important to us that Newt

he low," said a Republican congressman from the Southeast. This congress-man explained that Mr. Gingrich often came across to the public as strident and even mean and that if he allowed himself to stand at the forefront of the Clinton inquiry, the president and his allies would benefit by making him a lightning red for their criticism of Congress.

Mr. Gangrich is under conflicting pressures. The firebrands among House Republicans want to go after Mr. Clinton with all the artillery in the House's arsenal. But Mr. Gingrich's political advisers are telling him, according to a former staff assistant, that if he has any ambition to become president himself, this is his opportunity to dispel his reputation as a hothead and adopt the mien of

a statesman. One Republican congressman suggested half seriously that the most advantwould be to save Mr. Clinton's presidency. "It might not be best for the country." the congressman said, "but ageous step Mr. Gingrich could take they would have a cripple as president going into the next election, and Newt

would go down as a profile in courage." With all that in mind, Mr. Gingrich used her government credit card for auto tended carefully this week to the ceremonial and legislative aspects of his her children. job. He spoke at a conference on missile defense, received a Hispanic Heritage in the Sunday election, and the outcome Leadership Award and another award will depend on whether the party getting from the Community Antidrug Coali- the most votes can forge a loose coalition tion, met with chief executives of some with other parties with similar sympathof America's largest companies, attenties. The eight Swedish parties break ded news conferences on education, agriculture policy and prayer in schools, appeared on the steps of the Capitol with representatives of Habitat for Humanity and raped an interview for a cable television documentary on the 100 people who have the most influence on Amer-



Supporters and critics waving conflicting signs outside a Boston dinner that the president attended.

Jakarta Widens Corruption Probe

JAKARTA — An investigation into corruption in Indonesia, already focusing on former President Suharto, is being extended to ministers who served under him, including B. J. Habibie, the new president, officials said

including Mr. Habibie, would have to declare

Mr. Muladi said that the "mistakes" of the former regime "could not only be blamed on Suharto alone but were also the responsibility of all his ministers and ranking officials,"

Antara reported.

Mr. Habibie, a close ally of Mr. Suharto for decades, was research and technology minister from 1978 until he was appointed vice president in March. He took over the presidency when Mr. Suharto resigned May 21 amid a sharp economic downturn, mass protests against him and rioting in Jakarta.

The government announced this week that it had set up special teams to investigate Mr. Suharto's wealth, after a rare television appearance by the former president in which he asserted he did not have "even one cent" in foreign bank accounts.

Mr. Muladi said Thursday that Mr. Suharto could face iail if he was found guilty of cor-The official Antara press agency quoted could face jail if he was found guilty of cor-Justice Minister Muladi as saying that of-ruption. The former president is due to be ficials who had served with Mr. Suharto, questioned by investigators next week. Some questioned by investigators next week. Some analysts have said that the wealth of Mr. Subarto's family runs into billions of dollars.

The investigation is being led by Attorney General Mohammed Ghalib, who said last week that he believed Mr. Suharto's denial. "Suharto is a former president, so he would not lie," Mr. Ghalib said.

Dewi Fortuna Anwar, a senior aide to Mr. Habibie, acknowledged that the investigations were likely to extend to the president.

As Indonesia wants to establish a society based on democracy and transparency, everyone in high offices will be obliged to declare

CLINTON: House Panel Votes to Release Videotape of President's Testimony and 2,800 Pages of Evidence

Continued from Page 1

tionship of Mr. Clinton and Monica Lewinsky, which some Judiciary Committee members said were even more explicit than the information released earlier.

The release of the materials, compiled as part of Mr. Starr's eight-month grand jury inquiry into Mr. Clinton's involvement with Ms. Lewinsky, defies the traditional notion of grand-jury secrecy, though it falls within the broad authority of the House to do

"There simply is no direct historical precedent" released, it's his decision. If hearings are for the release of the tape, said A. E. Dick Howard, going to be held, he will decide. He a constitutional law expert at the University of Virginia. "We're plowing new ground."

Republican candidates all over the country are just drooling at the thought of getting this tape into publicans on Wednesday, Representative their political ads," said Representative Marty Nancy Johnson of Connecticut expressed Meehan, Democrat of Massachusetts. "It's an im-

allay the mounting concerns in many foreign capitals that the crisis would undercut Mr. Clinton's partisanship is alive and flourishing."

To that, Representative Barney Frank of Masnational security adviser, Samuel Berger, bluntly warned hostile foreign governments and groups not to seek advantage from Mr. Clinton's problems.

"It would be a grave mistake for any foreign leader or any group to believe that if United States' interests are threatened, the United States would not respond in a firm and united way," he said. The Judiciary Committee vote Friday followed a

day and a half of rancorous debate and a series of independent counsel, Kenneth Starr, said he did votes that Democrats, unlike Republicans, characterized as highly partisan.

head," said Representative John Conyers of own opinion about whether Mr. Clinton told the Michigan, the ranking Democratic member of the truth, as he has asserted that he did. Committee. "We got rolled." -

resentative Henry Hyde of Illinois, took exception Hutchinson, Republican of Arkansas. lot," he said. "We had vigorous, spirited debate, Republicans, by in effect asking the public to serve impeachment.

sachusetts, a Democratic member, replied, 'It was very civil and very partisan.' The release, he said, basically an effort to discredit the president." Representative Bill McCollum of Florida, a Republican member of the committee, said that the

explicit material had to be included because it would cast light on Mr. Clinton's insistence that he had told the truth "in certain instances where the

Republicans said it was necessary to release the "We've dumped process and fairness on its four-hour tape to allow Americans to form their

"Whatever decision we make should be sup-The Republican chairman of the panel, Rep- ported by the public," said Representative Asa

as a jury, were abdicating the serious constitutional responsibilities to weigh evidence that could justify impeachment hearings. He said there was no reason to release the most sexually detailed material except to marshal public anger against Mr. Clinton. "It is seriously explicit, it is offensive, it is obscene," Mr. Conyers said, "and it does not build up any kind of case one way or the other."

Several television networks were preparing to air extensive excerpts of the videotape. CNN, MS-NBC, and the Fox News Channel said they would run the tape as soon as they got it. Each of the cable networks will run printed warnings on the screen and voice warnings that the tape may include material not suitable for children. The tape also will be available on the Internet, but it is not yet clear when the printed documents will appear there.

 Democrats said that by rushing explosive materials before the public before the White House had a chance to review it, the Republican majority to Mr. Conyers's comment. "We accomplished a But Mr. Conyers and others complained that hoped for a powerful public reaction in favor of

TOPIC A: The World Watches the Scandal

Continued from Page 1

Italy as well as the United States.

Anxiety about Washington's domestic preoccupations is evident here in repeated statements by officials on all sides of the Bosnian conflict that the Start report was delivered to Congress, harder in coming months at persuading congress that the U.S. military presence will have to be maintained for the market in Armentian and the market in Arment will have to be maintained for years to come.

— R. Jeffrey Smith

TOKYO - Officials in Japan and South Korea fear that a politically weakened President Clinton will be a less valuable ally on important economic and security issues, especially in dealing with North Korea.

Despite these concerns, Mr. Clinton's standing in the two countries has not changed significantly because of the Lewinsky scandal. In both countries, Mr. Clinton is generally liked and respected. and his personal problems have received relatively muted media coverage, much of which has hinted at the widely held Asian perspective that Mr. Clinton's personal life should not be so closely linked with his professional duties.

The most immediate concern of most Japanese officials is that Mr. Clinton's scandal will overshadow Prime Minister Keizo Obuchi's trip to New York, He is scheduled to meet Mr. Clinton on Tues-— Kevin Sullivan

JERUSALEM - In the Middle East, there is a perception - not universally shared - that President Clinton's distractions have crippled U.S. foreign

Some Israelis, and many Palestinians, believe the scandal has kept the administration from exercising its considerable influence to extract concessions from Israel to break the 18-month dead-

lock in the peace process. Such thinking has persisted despite weakened suggestions in recent days that the U.S. for Russia.

Continued from Page 1

job in 1995 when it was found that she

rentals and chocolates and diapers for

No party is expected to win a majority

down into a socialist group led by the

Social Democrats and a non-socialist

Sweden for 57 of the last 66 years, are

campaigning on promises to increase

welfare spending and lower unemploy-

ment, now at 7.3 percent, a high figure for

The Social Democrats, who have run

one led by the Moderates.

Middle East envoy, Dennis Ross, may be close to brokering an agreement be-tween Israel and the Palestinians on an additional troop withdrawal from the West Bank. - Lee Hockstader

MEXICO CITY — The day after the more than 13 percent, and stocks in Mexico plummeted almost 10 percent. It was a perfect illustration of the axiom: When the United States catches a cold, Latin America sneezes.

And it helps explain why people here and across Central and South America are concerned that their fortunes, individually and collectively, are tied to the fortunes of President Clinton. A chart in El Universal newspaper here showing stock losses after the delivery of the report called the market slaughter The Clinton Effect."

With so many unresolved issues on the hemisphere's agenda, and with the region's economy threatened by the global financial instability, many Latin Americans said they were incensed that the United States was investing so much time, energy and money in a matter they consider insignificant. - John Ward Anderson

MOSCOW - For Russia, a weakened American presidency comes at a painful and risky moment.

President Clinton had little to offer in terms of concrete assistance on his reging rapidly, and Mr. Clinton may soon find Russia's economic woes again demanding his attention.

Russia is facing a looming debt crisis that, if ignored, could affect all the major Western powers. Russian analysts fear that it will be

difficult for a preoccupied and weakened president to muster support for Russia.

— David Hoffman

crats have been alert to opinion polls that

portray a longing among Sweden's aging

population for a restoration of cuts in the

country's vast welfare structure, which

now already costs 46 percent of gross

The Moderates are proposing bring-

ing down taxes, now nearly 60 percent

on middle class incomes, and reducing

labor costs which now oblige employers

to pay up to 41 percent of salaries into

social security and pension plans. They

also back Sweden's entry into the Euro-

pean single currency, a position that en-

joys scant public support from Swedes.

it's right," Mr. Bildt said last week.

'I don't care whether it's popular or not,

national product.

Spain to Continue

Crackdown on ETA

MADRID - ETA, the Basque guerrilla group, called a halt to three decades of violence with a unilateral cease-fire that began Friday, but the Spanish government vowed to continue to crack down on the group.

ETA's general cease-fire, modeled on the Irish Republican Army's truce in Northern Ireland, took effect just after midnight, marking what state radio called a 'historic moment'' for Spain.

But Interior Minister Jaime Mayor Oreja made clear that the government had no intention of scaling back police efforts to track down ETA members. "It is clear that the govemment cannot declare a truce with a terrorist organization," Mr. Mayor Oreja said on Antena 3 television.

He said authorities were con-cerned that ETA might use the cease-fire to regroup its forces.

when some doors must be closed. Mr.

With more than 7 million foreigners now living in Germany, immigration has

Comelia Schmalz-Jacobsen, federal

lines, dating to a 1913 imperial decree, With second and third generations of immigrant families still feeling alienated because they have not been able to become German citizens, the risk of a social explosion is growing. Perhaps no other German city has done more to accom-

FRANKFURT: Changing Ethnic Picture modate its immigrant population than Frankfurt, where a history of banking and Continued from Page 1

Schroeder insists, because "we can no longer bear the burden of hosting a much greater share of immigrants than other European countries."

become such a volatile issue that some experts say it should transcend politics. "It's a dangerous game to bring foreigners into an election campaign," said

commissioner for foreigner affairs. "The issue is far too serious to be treated as a superficial tactic to win votes." Germany is the only major Western nation that bases chizenship on blood-

Continued from Page 1

such tall towers," Mr. Mahathir said this summer. "You see, when you are short, you take a soap box and you stand on it in order to reach over the heads of

Mr. Mahathir made sure the Petronas cent visit here, but the situation is chan- Towers were constructed quickly by choosing two contractors for the project. A South Korean company had charge of one tower and a Japanese company the other. National pride was at stake.

Khoo Kay Kim, a history professor at the University of Malaya, said he saw proof, during a visit to New York, of how having the world's tallest buildings has raised the city's profile.

"I jumped onto tour buses on several

parties with vote projections that would

power leading a minority government.

the gray proceedings this year, the Social

pected new voters with a promotional

with titiliating copy about the "first

time." The ad provoked objections and

The head of the party's youth wing,

Niklas Nordstrom, said the film was an

effort to present politics "with a glint in

the eye" and he criticized people who

In an effort to inject some color into

KL: Malaysian Capital Grows Up, Up, Up occasions, and each time the bus passed the Empire State Building the tourist guide would say: This used to be the

tallest building in the world. Now the tallest is in Kuala Lumpur, Malay-The city's growth has been so quick, in fact, that it has created somewhat skewed ideas about what is old and what

Lai, 31, a businessman accompanying his wife and 2-year-old son to the new park, reflected on the capital's coming of age: "K.L. is a very old city," he said.
"Many of the buildings are from the
1950s. We needed new ones."

But there is more to the new Knala Lumpur than just concrete and steel. A mix of ethnically Malay. Chinese and Indian people made the ciry diverse, but recently the capital, with a population of 3 million, has become even more cos-

mopolitan. Thousands of Europeans and Americans moved to Malaysia during the Sweden, which had negligible jobless-ness until this decade. The Social Demo-erates with 36.8 percent, the Mod-erates with 24.8 and the remaining boom years, and judging by the faces on Kuala Lumpur's streets today, not that give the Social Democrats a sure grip on many have gone home. International schools have opened to cater to the influx of foreigners, and neighborhoods like Bangsar, with dozens of restaurants Democrats appealed to the 385,000 ex- and bars, sprouted in less than two

> "A lot of it has simply come above ground," Karim Raslan, a lawyer in video portraying a young couple in bed Knala Lumpar, said of the growing vibrancy of cultural life.

He recently bought season tickets to see the new philharmonic. "It's not just about buildings," Mr. Karim said. "There are people writing and paint-

ing."
"It actually takes my breath away,"

commerce has made the city and its population more open to the outside world. Besides having the country's only department for multicultural affairs, Frankfurt boasts 9 foreigners among its 93 city council members — a result of a European Union decree allowing foreigners to run in local elections.

What worries many experts is the persistent difficulty of integrating successive generations of foreigners, especially Germany's 2 million Turks, who feel alienated from the local culture where they were born and raised yet also have

no affinity for their parents' homeland.
"Even if born and raised here, even if you study and speak German, you are always considered a foreigner," said Manuel Parrondo, 38, a computer systems analyst who is president of the city's foreigner advisory board. He was born in Spain and came to Germany when he was 2 years old, yet still has not

acquired a passport.

Germans think foreigners are milking their welfare system but this is a myth," he said. "We are active professionals — nurses, doctors, bankers and lawyers - not jobless people looking for a handout"

Many economists argue that developing a sound immigration policy will be one of the most important tasks of the next government. Within 20 years, there will be two workers for every retiree in Germany. Unless immigrants fill the generational void caused by the low German birth rate, the country's vaunted social market economy with its generous

welfare provisions could crumble. But the rising tide of xenophobic incidents since Germany was reunited in 1990 is not just limited to the eastern part of the country. In Frankfurt's most recent city elections, 12 percent cast balling the country in the country in the country in the country. lots for far-right parties that call for the expulsion of foreigners.

Italy's Dubbers Silent No More

ROME — Italy's dubbers on Fri-

day said just the words TV and movie fans were waiting to hear. They were ending their two-monthold strike. The deal ends a protest that has

delayed the Italian release of some Hollywood blockbusters and forced TV subtitles and voice-overs on a public used to skillful dubbing. The dubbers will go back to work Monday with an accord that gives them the collective contract that was their key demand, they said.

The ANSA press agency said the deal also guarantees weekends off.



I don't care whether it's popular or not, characterized it as pornographic. "S right," Mr. Bildt said last week. "Those who think it pornographic," he hatest polls show the Social said, "must have awfully drab lives."

was pulled.

Corruption Pro

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Page 18 to 12

War Passion Mideast Envoy Sees Progress Despite New West Bank Clash Mideast Envoy Sees Progress Despite New West Bank Clash Partier, Barton Gellman of the West Bank Clash

diers wounded nearly 100 Palestinians on Friday, but the U.S. Middle East envoy, Dennis Ross, maintained that he broker an agreement between the two reh.

Clashes erupted outside the Jewish settlement of Psagot, near El Birch, as a ical," saying two had been hit in the march of more than 2,000 supporters of Hamas, the militant Islamic resistance . movement, reached an end.

Israeli soldiers fired sum grenades, rubber-coated bullets and, according to the Palestinians, live ammunition when

A total of 96 Palestinians were inwas making headway in his attempts to head of emergency services in El Bijured, according to Shahir Abdallah, the

> Mr. Abdallah described the condition of three of those hospitalized as "crithead by rubber-coated bullets and a third in the stomach by a live round. A spokesman for the Israeli Army

denied that soldiers had fired live am-The Hamas demonstration was or-

week in a raid on their hideout near

"Revenge, revenge!" the demonstrators shouted after they emerged from Friday prayers. The two men, brothers Imad and Adel Awadallah, were originally from El Birch.

The clashes erupted as Mr. Ross, on the ninth day of his trip to the region, was meeting the Palestinian leader Yasser Arafat in Gaza.

The U.S. envoy insisted that he was still making progress in his efforts to they visit New York next week.

'It was a good discussion. We are making headway," Mr. Ross said.
Mr. Ross had delayed his departure

from Israel and the Palestinian territories by a day, until Saturday, for what a U.S. Embassy spokesman called "further technical discussions.

Mr. Ross confirmed that he was working on separate meetings of U.S. Secretary of State Madeleine Albright with Mr. Arafat and with the Israeli prime minister, Benjamin Netanyahu, when

Earlier, Barton Gellman of the Washington Post reported from Washington: Mrs. Albright showed a degree of public optimism Thursday, for the first time in four months, that an accord between the stalemated parties might be in

sight.
"Let me say that we are very hopeful that we will be able to move toward an agreement," she said.

Diplomats in Washington and in the region said the two sides were very close to agreement on an Israeli withdrawal from 13 percent of the West Bank.

Kurdish Chiefs End Rivalry in Northern Iraq

By Barton Gellman Washington Post Service

WASHINGTON - Leaders of two feuding Kurdish factions have agreed to an American-brokered accord to share power in northern Iraq, where U.S. military aircraft have tried to protect them from the Baghdad government since a failed uprising after the Gulf War.

Massoud Barzani of the Kurdistan

Democratic Party and Jalal Talabani of the Patriotic Union of Kurdistan, whose bitter rivalry has broken out repeatedly in heavy fighting, shook hands for the first time since 1994 and agreed on arrangements to share power and eco-

`nomic resources. Secretary of State Madeleine Albright, who presided over the initialing of the joint statement Thursday, described it as

a "new and hopeful chapter." Mrs. Albright also cited threats to "the Iraqi people, including those in the north," among the circumstances that could lead to U.S. military intervention.

With the encouragement of the administration of President George Bush in 1991, Iraq's northern Kurds and southern Shiites, both aggrieved minorities in the Sunni majority state, engaged in an armed rebellion after Iraqi forces were expelled from Kuwait in the Gulf War. President Saddam Hussein crushed the uprisings.

The United States responded in the north with air patrols — which are still 'going on — and other restrictions that essentially banned Iraqi troops from the Kurdish zones. The result was a quasi-sovereign entity of 2 million Kurds effectively out of Baghdad's reach.

But in the shifting alliances long endemic in Kurdish politics, Mr. Barzani struck a deal with Mr. Saddam in August tremely rare in Malaysia, where laws About 15 police officers stood by but



Massoud Barzani of the Kurdistan Democratic Party, left, and Jalal Talabani of the Patriotic Union of Kurdistan, signaling an end to rivalry.

1996, invading his rival Mr. Talabani's Thursday night that the Kurdish leaders stronghold of Arbil with support from Iraqi forces. The result was the collapse of a CIA operation to undermine the Baghdad government and an important setback to U.S. policy in Iraq.

In an effort to end the military rivalry, Mrs. Albright authorized a senior dip-

would not work directly to overthrow Mr. Saddam but that peace between them was essential to reach that objective. "The encirclement of Iraq has a num-

ber of aspects," the official said. "One of them is that there's a significant chunk of Iraq not controlled by Saddam."

Nerve Gas Tests Disputed New Exams of Iraqi Warheads Contradict U.S.

By Barbara Crossette

New York Times Service UNITED NATIONS, New York ---Swiss and French tests for a poison gas on Iraqi missile warheads appear to have reached results contrary to those of American tests that showed the presence of VX, a deadly nerve agent, according to diplomats.

If the preliminary findings are confirmed, perhaps as early as next week, fraq is expected to argue that the U.S. tests were rigged to obtain damaging evidence. In June, U.S. experts at a military testing center in Aberdeen, Mary-land, said they had found traces of the

banned poison gas.
Iraqi officials have told UN weapons inspectors that if there was VX on the missile fragments tested in the United States, the Iraqis did not put it there. Iraq has admitted to loading Sarin nerve gas on weapons, but not VX.

The tests in Switzerland and France were done after the Aberdeen reports were made public and Iraq demanded further analysis outside the United

At the UN Special Commission, which has been overseeing the disamnament of Iraq, a spokesman said that there would be no comment on the new results until a final report was submitted to the inspectors.

The London-based Arabic newspaper Al Hayat said Thursday that the results were already in the possession of the Iraqi government

The contradictions between the two sets of tests may raise other questions. The Iraqi warheads under study were discovered early this year at a weaponsdestruction site north of Baghdad.

Commission officials haggled with Iraqi officials for weeks before being allowed to send some metal chunks dug up at the site to the United States for

Other warhead fragments were stored in Iraq by the inspectors, and there is a question whether the Iraqis might have had access to them before commission officials returned to collect samples for the second round of tests in Europe. By that time, the Iraqi government knew the Americans had said they had

found VX. The second round of tests were done from swabs taken from the stored fragments. The fragments themselves were not moved from Iraq.

Whether or not Iraq had armed weapons with an extremely dangerous nerve gas is one of the problems central to discussions about Baghdad's compliance with UN demands that it turn over not only material but also documentation on its arms programs so that all prohibited weapons can be accounted

All biological, chemical and nuclear weapons as well as certain prohibited missile systems - and the means to produce them — must be destroyed before sanctions imposed on Iraq in 1990 can be lifted.

China Will Station Troops in Macau

BRIEFLY

MACAU - China will station troops in Macau when it takes over the Portuguese enclave next year. and it has offered to help battle organized crime, Vice Premier Qian

Qichen said Friday.
Mr. Qian said the stationing of People's Liberation Army soldiers in Macau would be a "symbol that China resumed the exercise of sov-

ereignty" over the territory. Mr. Qian did not specify the number of troops to be stationed in Macau. His announcement follows a wave of bombings, arson attacks and other crimes in Macau, which reverts to Chinese rule at midnight on Dec. 19, 1999.

Philippine Flood Routs Thousands

MANILA - An evacuation of thousands of residents in the northern Philippines was ordered after a dike collapsed Friday night under

pressure from flooding caused by a tropical storm, relief officials said. Parts of four towns in Pampanga Province on the main Philippine island of Luzon were submerged up to chest level in floodwaters from the overflowing Porac-Gumain river.

More rain was expected over Luzon, including Manila, from the storm, designated Vicki. (Reuters)

Plan for New Party Shelved in Beijing

BEUING - Chinese police interrogated three dissidents in senarate, three-hour sessions and warned them not to try to set up an opposition political party, one of those interrogated said Friday. Ren Wanding, prominent in the

dissident community, said his de-tention and questioning had per-suaded him to give up plans to reg-ister the China Democracy Party's Beijing branch. Police said that "setting up political parties is not permitted," Mr. Ren said. (AP)

For the Record

A volcano on Ecuador's Galapagos islands spewed two rivers of molten lava but posed no immediate threat to giant turtles made famous a century ago by the English naturalist Charles Darwin, park authorities said. (Reuters)

"As long as that area is out of his control, that's good," the official said. "That diminishes him." lomat, C. David Welch, to go to northern Iraq to negotiate the agreement. A senior State Department official said

Ousted Minister Calls on Mahathir to Step Down

The Associated Press

KUALA TERENGGANU, Malaysia - The former deputy prime minister called Friday for the resignation of Prime Minister Mahathir bin Mohamad, boldly escalating his challenge to the man who has ruled the country for 17

Anwar Ibrahim responded with shouts of support, punching their fists in the air

Hundreds in the crowd listening to

give the government broad powers to arrest political opponents. did not intervene.

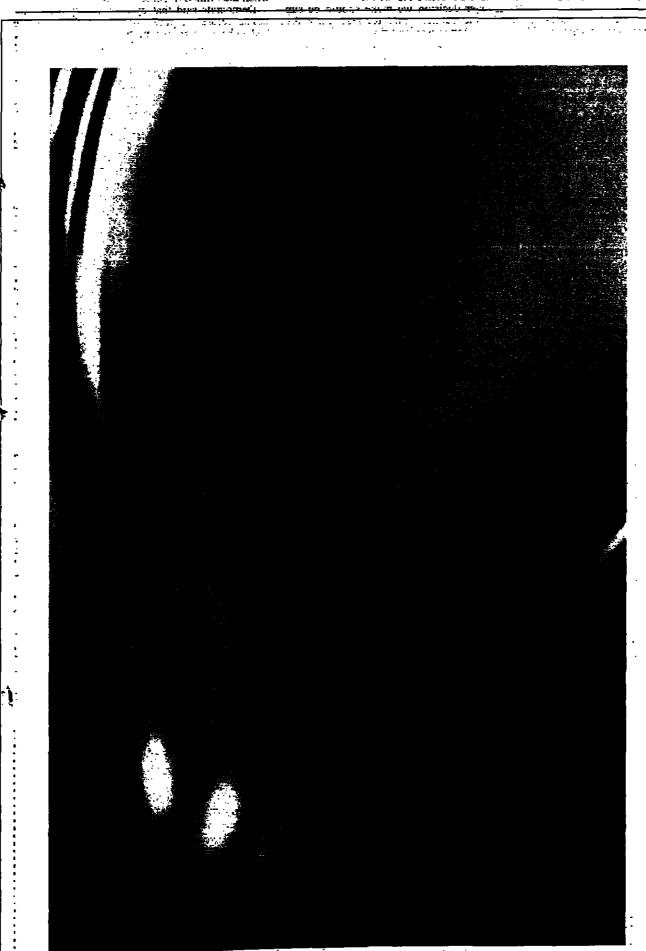
Even opposition parties have not called for Mr. Mahathir to leave office or suggested that he be investigated for corruption, as Mr. Anwar did this week in increasingly scathing speeches. "I call for the prime minister to step

down," Mr. Anwar shouted from a platform in front of a house near the beach. When he yelled to the crowd of 5,000, and chanting, "God is great." asking them whether they support his Public calls for resignation are ex-

After grooming Mr. Anwar as his successor, Mr. Mahathir dismissed him on Sept. 2 from the posts of deputy prime minister and finance minister, then engineered his ouster from the governing party. Mr. Mahathir said that Mr. Anwar was morally unfit for office.

Five of Mr. Anwar's associates have been arrested in a police investigation of him on allegations of sexual misconduct, abuse of power, interfering in a police

probe and leaking state secrets. Mr. Anwar denies the accusations.



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THE EXCEPTION IS THE RULE... SUSTAINING EACH EFFORT UNTIL THAT MOMENT OF PERFECT HARMONY WHICH MARKS THE CULMINATION OF ALL ENDEAVOUR ... SEEKING OUT THE EXCEPTIONAL BECAUSE NOTHING LESS WILL DO ... ALWAYS SEARCHING, NO STRANGER TO DOUBT ... EMBRACING EACH DAY WITH PATIENCE ANEW... FOR TWO HUNDRED YEARS NOW, SUCH HAS BEEN THE DESTINY OF THE HOUSE OF LOUIS ROEDERER.

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Rancor in Congress

the Monica Lewinsky case that was promised by congressional leaders last week has quickly descended into political acrimony and the pursuit of tangential matters. The squabbling does not augur well for the hard work that lies ahead as the House of Representatives considers whether to initiate impeachment proceedings.

The Judiciary Committee argued furiously over whether to make public the videotape of President Clinton's Aug. 17 grand jury testimony, with the Democratic minority trying to block or limit release. The donnybrook was pointless. The public interest requires open access to Mr. Clinton's testimony and other materials related to the core questions of whether the president lied under oath, obstructed justice and tampered with witnesses

Mr. Clinton himself made the videotape of his grand jury appearance rel-evant because of his insistence that he did not commit perjury in denying that he had sexual relations with Ms. Lewinsky. His assertion there and in the account he gave in the Paula Jones civil lawsuit is debunked by the evidence presented in Kenneth Starr's report. But since Mr. Clinton has taken a position contrary to the facts now on record, the American people should have the chance to see his testimony in its totality so they can assess his candor.

As the political heat in Washington rises, it is disheartening but not sur-

The nonpartisan, dignified review of prising to find the private lives of members of Congress being publicly examined. The House Judiciary Committee chairman, Henry Hyde, became the third Republican in recent weeks to acknowledge an extramarital affair when faced with press reports about a liaison. In the Hyde case, Salon, the Internet journal that disclosed the affair of 30 years ago, demeaned itself by saying publication was justified beugly times call for ugly tac-

> The Salon report was not cause to call on the FBI to determine how the journal learned of the affair. But that is what the Republican leadership did Thursday after accusing the White House of planting the story in an effort to intimidate lawmakers.

> Though the Clinton team has a record of rummaging through the private lives of opponents huming for em-barrassing information, Salon says the White House had nothing to do with the Hyde story. If Congress wants to look into White House conduct, it has the means to do so on its own. Bringing in the FBI to investigate journalistic sources is a misuse of the agency and a clumsy attack on press freedom.

The prospect of impeachment proceedings should be sobering to both Republicans and Democrats. The American people expect more of their representatives than partisan bickering and chasing after reporters' sources.

—THE NEW YORK TIMES.

Marauding in Kosovo

to claim the lives of thousands of women and children in Kosovo a few weeks from now, no one will be able to claim ignorance as an excuse for inaction. *Massive war crimes have been committed here," John Shattuck, assistant secretary of state for human rights, said during a recent visit to the Serbian province. "They're starving their people," said Julia Taft, also an assistant secretary of state. "The disproportionate use of force by Serbian police and military units," said the United Nations secretary-general, Kofi Annan, has led to "mass displacement of the civilian population." The UN Security Council agreed: "We are facing a humanitarian catastrophe in Kosovo.'

Serbian troops led by the Yugoslav president, Slobodan Milosevic, are systematically uprooting Kosovo's ethnic Albanian population. Village by village, houses are burned, livestock slaughtered, crops 'destroyet 'sind' people shot or sent fleeing into the mountains. Hundreds of thousands have been forced from their homes, Mr. Milosevic promised to establish 11 already have shelled three of them. Even those not forced to flee are threatened by a Serb blockade of food

and medicine. This humanitarian disaster cannot be ended without a political solution, and a political solution is impossible without a U.S. resolve to use force. if necessary, against Mr. Milosevic's marauding soldiers. President Bill Clinton and his team have promised again and again to show such resolve. but their threats have proved empty. Instead, Mr. Clinton sends his emissaries, again and again, to plead with the war criminal to stop his crimes. Mr. Milosevic has learned he can defy them at no cost.

What is unfolding is genocide at one remove. "A massacre is not necessarily committed only with knives," a displaced woman said. Analogously, Mr. Milosevic is managing to destabilize moderate governments throughout the region without waging war against them; simply by overwhelming them; with refugees. NATO, blustering about its contingency plans, becomes a laughingstock. The longer Mr. Clinton dithers the greater the costs will be.

Central Banks Must Act

With the world economy growing at the slowest pace in decades — and many countries in recession --- only the nations that are growing the fastest are in a good position to help the world economy before the problems engulf us all. But there is a great reluctance to act.

This week there was brave talk of coordinated action among the G-7 countries to stimulate world growth, and it appears that finance ministers in many of those countries are persuaded that action is needed. But the two most important central banks in the world -- the Federal Reserve and the Bundesbank -do not appear ready to take coordinated action to reduce interest rates.

That hesitation is understandable considering that each central bank's legal duty is to help its own national economy, and neither Germany nor the United States appears to be in imminent danger of recession -- at least based on their own domestic economies.

The greatest problems are in countries whose central banks cannot cut interest rates to stimulate growth, simply because to do so would be to invite the collapse of their own cur-

Were there a world central bank, there is little doubt that it would be leaping to action in an effort to spur growth. Bridgewater Associates, a Con-necticut-based economic consulting firm, reports that world growth is now at a 30-year low, despite the fact that the U.S. economy has grown 3.6 percent over the past year. The figure for the rest of the world was a scant 0.3 percent. Countries that are doing well are likely to see a flood of cheap imports

from those economies that are in trouble, raising the threat that developed countries will retreat toward protectionism. Already, with the trade deficit growing, the American steel industry is demanding that duties be placed on low-cost steel arriving from Asian and Russian producers who have seen their

former Asian markets dry up. The state of South Dakota, reacting to the complaints of farmers, is trying to hamper the importation of Canadian grain and livestock.

In an atmosphere of low commodity prices around the globe, inflation is not the threat it was even a few years ago. Fears of inflation should not now prevent interest rate cuts by central banks. Such moves could help to offset the decline in global economic growth.

— THE NEW YORK TIMES

Other Comment Defense Budget Crunch

U.S. military leaders have told President Bill Clinton that static defense budgets and the strains of peacekeeping missions abroad have cut deeply into the readiness of the armed services to respond to overseas crises. Congress might want to reconsider its adamant opposition to eventually saving billions of dollars by closing military facilities the Pentagon says are redund-ant. And many in Congress are eager to begin spending billions in new money for a national anti-missile system for which there seems little strategic jus-

Los Angeles Times.

Herald Eribune

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Taking the Road to a Peaceful Asia, Step by Step

S INGAPORE — China, the United States and Japan are fundamentally committed to a peaceful environment, despite domestic constraints and pursuit of national interests. They are ready to cooperate to resolve regional problems and to strengthen regional

But only by building a strong triangular relationship and cooperating closely can they gain the level of cooperation needed to preserve peace and security in Asia. It is in the interests of other countries in the region to contribute toward this goal.

The proper management of the relationship requires that important developments between two nations on one side of the triangle be balanced by dealing carefully with the other two sides of the triangle.

On major issues, the two sides will

Second of two parts.

sometimes express the same view against the third. But because of the fragility of the triangle and the lack of mutual confidence, this can be seen as 'ganging up." Many mistakes have

The United States, in negotiating with Japan the redefinition of their security relationship in 1994 and 1995, did not keep China adequately in-formed. Neither did Japan. This fueled Beijing's suspicions that the U.S.-Japan Security Treaty was aimed at China, an issue that still haunts the

During his visit to China in June, President Bill Clinton failed to mention the U.S. security alliance with Japan and chose not to visit Japan as well. His actions encouraged those in China who hoped to push for improved U.S.-China relations at the expense of U.S.-Japan relations, creating intense worries in Japan that Washington's improved relations with Beijing would be at the expense of its relations with Tokyo.

In 1998, Washington publicly castigated Tokyo for not following concrete American prescriptions on stimulating the economy, and publicly praised China for not devaluating its currency. The pronouncements set off strong nationalistic responses in Japan against the United States.

Tokyo has also been insufficiently sensitive to the impact on Asia of its failure to stimulate the Japanese economy, thereby creating the perception that the United States and China are By Ezra F. Vogel

cooperating to end the Asian crisis while Japan is not.

China, Japan, and the United States cannot and should not become a bloc. But high-level representatives of the three countries should meet to exchange views on regional and global developments to develop a common base of understanding for cooperation. including issues that are also dealt with by broader regional and global insti-tutions like APEC, the Asia Pacific Economic Cooperation forum, and the United Nations:

The three nations in the triangle should also keep open relations with other countries, especially Russia, South Korea, India, Pakistan, and members of ASEAN, the Association

of South East Asian Nations.
Issues that need to be taken up in discussions among the three powers

• Coming to terms with World War II: The Chinese remain highly emotional both about Japanese cruelties in World War II and about the Japanese failure to discuss them fully and openly. The Japanese feel they have repeatedly apologized. The countries need to open their historical records to objective scholars from Japan, China, and other nations, then educate their citizens about their findings.

 Building a sound postcrisis regional economic structure: In the short run, the three powers need to work together to avoid a new round of competitive currency devaluations and help in East Asia's reconstruction. Among the is-sues to be considered are mechanisms for reducing the danger of sudden capital flight; reserve currency baskets for the region that would include the Japanese yen and possibly the Chinese yuan as well as the U.S. dollar, mechanisms for controlling excessive fluctuations in exchange rates; agreements for continued trade and investment liberalization in the region; and the creation of an Asia Fund to respond to emergencies without the moral hazard of rewarding the speculators who lose from market decisions.

• Resolving the Taiwan issue: How can the three powers avoid the dangers of confrontation that occurred in March 1996 near Taiwan and the anxieties created in China the following month with the reaffirmation of the U.S.-Japan Security Treaty? Misunderstandings could lead to conflict.

tions on the peninsula require the co-operation of Japan and China. China should take part in the Korean Energy Development Organization, while Japan, as well as China, should take part in the creation of a new peace treaty. Understandings need to provide assurances to China, Japan, and a united Korea that would avoid a new arms race in the region.

• Accepting the U.S. military role in Asia: The Chinese have enunciated the principle that no nation should station troops in another country. But the presence of U.S. forces in Asia may help Japan to choose not to try to become militarily dominant in Asia. If China wishes to avoid the rise of independent Japanese militarism, it is in its interests for U.S. troops to remain in Japan. Given the dangers of Chinese-Japanese

Given the fragility of the relationships and the lack of mutual confidence, any two nations have to avoid the appearance of 'ganging up' on the

rivalry on the Korean Peninsula, it is also in Chinese interests to encourage the United States to retain troops in South Korea to reduce the risks of confrontation. For the Chinese to accept the U.S. military role in East Asia, Beijing will have to develop confidence that American troops will not be used to contain China.

 Extending arms control: Following the recent nuclear explosions by India and Pakistan, agreements about weapons of mass destruction and about conventional arms limitation will require cooperation throughout Asia. If North and South Korea are to reduce their armaments, and if Japan is to remain nonnuclear and committed to only defensive military activities, China will have to become more transparent about its activities and follow Japan's path of not developing a military capable of projecting power beyoud the territory it now claims.

One of the central questions confronting Japan and Taiwan is whether

• Preserving peace on the Korean to develop anti-ballistic missile de-Peninsula: Long-term peaceful rela-fense systems. Since China has weak fense systems. Since China has weak naval and air forces, its leverage is missiles. It finds the prospects of an effective anti-ballistic missile defense system in Japan and Taiwan disturb-

 Joint response to emergencies: All three powers cooperated in peacekeeping activities in Cambodia under the UN flag. They should begin planning joint military exercises, starting with those for humanitarian purposes, such as disaster relief and flows of refugees from such places as North Korea and

 Maintaining the natural environment: Acid rain from China affects Japan. China is especially in need of technology and financial aid to help deal with its growing pollution prob-lems. The United States and Japan are already working with China to provide

it with technology and capital.

• Gaining full representation of China and Japan in international organizations. Even though Japan has the second-largest economy in the world and pays more dues to the UN than any other country except the United States, it is not yet a member of the Security Council. Although China is already the third-largest economy in the world, it is not yet represented in meetings of the leading industrial powers. Nor is it yet a member of the World Trade Organization, the Nuclear Nonproliferation Treaty, and other international regimes. Japan and China, with U.S. cooperation, could support each other for membership in global organizations.

Washington and Tokyo need to offer continued reassurance to Beijing that a strong and prosperous China is in their interest. In return, Beijing must make it clear that it does not challenge the U.S.-Japan security alliance and does not seek to improve it relations with Washington at the expense of Washington's ties with Tokyo.

In addition, all three powers should undertake broad discussions, modeled on the Clinton-Jiang exchanges in China, to keep people on each of the three sides of the triangle apprised of major developments in their relations.

The writer is head of Fairbank Center for East Asian Research at Harvard University. This comment was adapted by the International Herald Tribune from the second Goh Keng Swee Lec-ture on Modern China he gave in

Clinton and Rubin: A Gap on Economic Turmoil

ground, a senior U.S. official ternational environment. about global economic trends to comment smugly on the amazing rise of the stock market: "Whatever else it is, the Lewinsky scandal is not a factor in the U.S. economy. It is not a drag on our policies or perfor-

That was then. In recent weeks the costs the scandal has inflicted on President Bill Clinton, his authority and his cabinet have turned a flawed presidency into a failed presidency. And it is precisely in international economics that Mr. Clinton's loss of credibility as world leader is now visibly and dangerously surfacing.

Mr. Clinton and the Treasury

ecretary, Robert Rubin, staged a flurry of appearances this past week to argue otherwise and briefly stabilize markets. Mr. Clinton's pals abroad rushed to show their thoughts were with

trupted a conversation Phone calls from Prime Min

ister Tony Blair of Britain and President Jacques Chirac of France to buck up Mr. Clinton were publicized by their aides. Chancellor Helmut Kohl of Germany, fighting for survival in the Sept. 27 elections, took time to issue a statement praising the president.

We will do everything we can to help him stay standing," a senior European official told me as the coordinated propping-up effort began. American president too weak to lead in world affairs, too weak to keep America engaged in world affairs, is not in our interests.

But the phone calls, other statements of support from abroad and assertions by Mr. Clinton that he leads on in undiminished fashion ultimately serve only to call attention to this president's ebbing authority.

give Mr. Clinton a diplomatic windfall by striking a deal with the Palestinians now, he agreed but added: "Why give up something to someone he is not sure will be there in a few months to return the favor?"

The most urgent part of the Clintonian decline shows up in the sagging fortunes of the global economy — and in the growing inability of American, European and Japanese authorities to agree on responses to the world's financial upset. That division worsened this

past week as Mr. Rubin's chief international partners backed out of a public statement that required them to do nothing more than hint at coordinated interest rate cuts to steady mar-

The statement was released in deputy finance ministers of the

WASHINGTON—In early.

By Jim Hoagland

Group of Seven leading industry provide money for and which trial countries. But almost imofficer nations will not support if surged toward new high him and to calm a troubled inWhen I suggested to an Ismediately the German central it means sacrifice. What can I

rates now. The sequence is interesting for what it says about Mr. Rubin's relations with his fractious peers, and with Mr. Clinton.

Mr. Rubin originally opposed the London meeting, fearing (correctly) it would raise hopes but deliver nothing. Mr. Clinton gave in to Mr. Blair's insistence that it be held. Then the president trumpeted in a global economy speech in New York the urgent need for major change in international financial institutions - a need Mr. Rubin has privately and publicly minimized.

Mr. Rubin is a master salesman, a suave and intelligent administrator. But in public appearances he increasingly betrays a bemused cynicism about London on Monday by the an international financial system that Congress will not

raeli analyst that Prime Minister bank disowned the statement, do with these bozos? he silently Benjamin Netanyahu could and France let it be known that it asks by an arch of the eyehad no room to lower its interest brow.

Mr. Rubin's influence and importance are at their height. His continuation in office is more important in at least one respect than Mr. Clinton's: If the president were to resign and

spare the country months of bitter political wrangling, markets would shoot up. If Mr. Rubin resigned, the bottom would drop out. His concern for the country and for his reputation rules out Mr. Rubin's resignation now. But there is a growing gap between his stubbornly minim-

alist approach to this crisis and the president's need for dramatic, overarching action to restore confidence in the markets, and in his presidency. In that gap lie uncertainty and more trouble for the post-Lewinsky financial world.

The Washington Post

A Financial Taint South America Doesn't Deserve

WASHINGTON — Rus-sia's economic crisis has rattled financial markets around the world, and it has caused significant fluctuations in Brazil's stock index. But Brazil and other South American countries deserve better than to be tainted by someone else's We have seen this type of

contagion before as investors, realigning their portfolios, have damaged seemingly unrelated countries and regions. Mex-ico's devaluation of the peso in . December 1994, for instance, unsettled markets in Asia. In such cases, the two re-

gions' economies generally have little in common on the surface. They do not suffer from the same ills, and their trade relations are limited. It is hard to find a reason that a decline in one would cause the other's market to dive - other than an irrational panic afflicting both.

Fortunately, markets usually exhibit a kind of collective rationality — eventually. They find countries with similar characteristics and distinguish those with good fundamental economic conditions and sound policies from those facing se-

rious problems. It is an especially cruel injustice that Latin America is subjected to the harshest impact of the Russian crisis. In recent vears. World Bank officials and others have watched with admiration as Latin nations have recovered from the debt crisis strengthened banks. Consolida-

By Joseph Stiglitz

20 years ago. Erstwhile dictatorships have become thriving democracies. In a region once plagued by hyperinflation, inflation is now typically in single digits. These countries learned the

lesson of sound economic management the hard way, but they learned it thoroughly. They undertook the deepest reforms without outside pressure. Some of these achievements — the Real Plan in Brazil, economic economic innovations in Chile - are serving as models for the

developing world. Latin America's reforming economies have realized that

into which they tumbled almost tion, selective liquidations and

new entry by foreign banks have all helped reinforce these

reform in Argentina and myriad

public programs cannot exist without public revenue, and in most cases they have succeeded in aligning the two. They have increased current revenue or cut spending as necessary. They have worked to ensure longterm fiscal balance by undertaking, among other steps, pension reforms.

The vicissitudes of the global economy demand frequent adjustments, and here again, Latin nations have shown skill. They have recognized that the engine of growth in modern economies is the private sector, and they have worked to create a marketfriendly environment with the appropriate institutional foundation, including greatly

financial institutions. The results of these policies can be seen in recent privatiza-tions, such as that of Telebras, Brazil's giant telephone holding company, which raised \$19 billion, roughly 70 percent more

than the minimum asking price. Latin American countries have now gone beyond their initial reforms into "second generation" reforms, recognizing the importance of elements such as competition and regulatory policy. They are tackling other problems too: improving education, for example, and reforming judiciaries.

Here they have shown innovation, along with a willingness to engage in calculated experiments. In El Salvador and Nicaragua, for example, societies that little more than a decade ago were tom by civil wars, initiatives are under way to give local communities control of education. The World Bank is working with Brazil on land reform that promises to improve agricultural productivity as it offers hope to previ-

ously landless peasants. Many challenges remain, of course, and there will be stumbling blocks in one country or another. But looking at these economies as a whole today, strong fundamentals and a bright future are evident. The

addressing their problems and to building a social consensus sound economic policies.

The paradox is that the panicking market has, for reasons completely unrelated to the region, demanded that Latin American investments deliver unreasonably high interest and

governments are committed to dividends to cover the perceived risks. By driving interest rates up and stock prices down. the markets risk doing severe damage to the Latin econo-

> The writer is chief economist at the World Bank. He contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Color Pictures PARIS - The "Figaro" pub-

lishes an interesting account on the evolution of photography in colors, apropos of the invention by M. Mathieu. The problem of color-photography is effectively solved by M. Mathieu's process. The fundamental principle on which this process is based is the fact that all the colors perceptible to the human eye are combinations, varying in proportion and degree, of the three colors, red, yellow and blue. By means of colored screens the colors can be split up so that each may have its own individual action on specially prepared sensitive plates.

1923: American Habit

LONDON - While many Britons are lamenting the growth of American habits, the spread of American slang and the monopoly of the American movies, the London representative of an

American chewing-gum concern told that, after years of effort, one-eight of the British population has now fallen for the chewing-gum habit. While footballers and athletes use it in public, it is still a private habit. Nevertheless, British jaws are

1948: An Old Quarrel

now masticating more than six

million packages monthly.

ST. HELIER, Jersey - Great Britain and France are still quarrelling about a bit of unfinished business from the Hundred Years' War — almost 500 years ago. It's the ownership of two little islands in the Channel. midway between the French and British coasts. Ever since the end of the Hundred Years' War. smuggiers from the two countries have been hiding there. The International Court of Justice will be asked to decide which flag will fly over the isles of Les Minquiers and Les Ecrehou.

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thank you Sincerely.

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Countries <u>not</u> eligible to sit on the **United Nations Security Council:**

Israel

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Believe it or not, Israel is the only one of the 185 member countries ineligible to serve on the United Nations Security Council, the key deliberative group of the world body. Even Iraq is eligible. So is Iran. And so, too, are Cuba, Libya, North Korea, Sudan and Syria.

Moldova

Zambia

Why is it that these seven nations, all cited by the U.S. State Department as sponsors of terrorism, are eligible to serve rotating terms on the Security Council, yet Israel, a democratic nation and member of the UN since 1950,

To be eligible for election, a country must belong to a regional group. Every UN member state—from the smallest to the largest—is included in one of the five regional groups. By geography, Israel should be part of the Asian bloc but such countries as Iraq and Saudi Arabia have prevented its entry for decades.

But only Israel among all UN members is denied the right to belong to any regional group. As a temporary measure, Israel has sought acceptance in the West European and Others Group (WEOG), which includes not only the democracies of Western Europe but also the United States and other Western

The UN Secretary General, Kofi Annan, on March 25, 1998, called for an end to this injustice to Israel and "the normalization of Israel's status within the United Nations..." Moreover, several countries, including the U.S., Australia, Canada and Norway, have expressed support for Israel's admission to WEOG, but the 15-member European Union refuses to act.

Thus, without membership in a regional group, Israel can never be elected to serve a term on the Security Council or, for that matter, to the other most important bodies of the UN system, such as the Economic and Social Council, the World Court, and the Commission on Human Rights.

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	Dear Mr. Ambassador:	Dear Mr. Ambassador:	Dear Mr. Ambassador:
	We urge all members of the European Union to accept Israel as a temporary member or participant in the West European and Others Group. As you know, Israel is the only country denied membership in any regional group.	We urge all members of the European Union to accept Israel as a temporary member or participant in the West European and Others Group. As you know, Israel is the only country denied membership in any regional group.	We urge all members of the European Union to accept Israel as a temporary member or participant in the West European and Others Group. As you know, Israel is the only country denied membership in any regional group.
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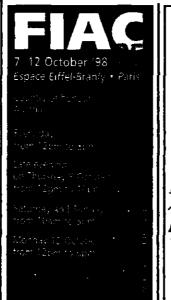
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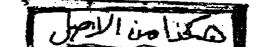
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Detail of the right panel of Otto Dix's "Metropolis."

German Conscience: The Great Otto Dix

By Michael Gibson

AINT-PAUL-DE-VENCE. France — The art of Otto Dix (1891-1969) is heir to the high tradition of German art — to the likes of Durer, Altdorfer and Cranach. Its importance has been partly obscured by the grim historical ambiguities of this century, but as time passes, it will be-come increasingly obvious that he was

come increasingly obvious that he was old prostitutes) that they are couched in one of the major artists of our century.

This much can be seen from the very.

The masterwork of this period is fine exhibition at the Maeghi Foundation worked in a "Metropolis." The central panel shows in a worked in a "Metropolis." The central panel shows in a work at a Chippendale desk in a foundary his mether had a cit for draw. foundry, his mother had a gift for draw-His earliest paintings shown in this exhibition were done between the ages of 18 and 22 and their dominant mood is stark black and brutally industrial.

The influence of Expressionism is apparent here, but so is that of the dreary lives of the German proletariat whose child Dix remained and to which he always sought to do justice in a straightforward language and without political

When World War I broke out, Dix was 23. Like many of his young compatriots, stirred by the fashionable notion that war would purify society, Dix volunteered. His first drawings from the trenches show an occasional devastated village or exploding shell, but they do not reveal the full truth of these terrible events.

That would come in 1922, when he produced a sequence of 51 engravings - all shown here — which in every way deserve comparison with Goya's "Disasters of War."

Dix, like so many others who had been in the trenches, came to realize that what had actually happened there was beyond anything he or anyone else had anticipated.

The Czech philosopher Jan Patocka maintained that World War I was the decisive event of the 20th century. It was so (he wrote in his "Heretical Essays") because force was applied on a scale and with a degree of brutality without precedent, subjecting those who were sent to the front to an unimaginable degree of terror and absurdity. This is what Dix also manages to suggest.

One senses, in viewing these works, that the experience of trench warfare, with the huge industrial power of artillery playing the part of a merciless God, is a cultural shock quite comparable in scale (though in a different register) to the equally industrial reality of death camps in World War II. Emerging from this war, and con-

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Reviewed by

Philip Bowring

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Weidenfeld & Nicolson.

fronted with the social, moral and economic chaos of the '20s, Dix realized that war had "purified" nothing. He first joined forces with the Berlin Dadaists, producing paintings and collages whose

corrosive power remains undiminished.
But at the same time he started taking keen interest in traditional German painting. As a result, we have works done in the '20s that are all the more searing and sinister (the old lovers, the

the glitter of those who can afford to dance all night while the side panels offer a grim parade of the mutilated, the legless soldiers stumbling about on crutches, the expressionless prostitutes grotesquely strutting past weirdly erotic marble facades.

In the early '30s, Dix was blacklisted by the Nazis. Under similar circumstances, other artists fled abroad. Dix, however, retired to the country and did his best to be forgotten. And since he could not paint the sort of work he favored in the past without fear, he devoted himself to a series of extraordinary landscapes couched in an idiom derived from the likes of Altdorfer or Brueghel.

HE paintings done in 1940 and '41 are tender beyond belief. This attention to all the minutiae of country life, and the delicate colors of the landscape, was, up to a point, a protective device at a time when Nazi propaganda demanded a return to the style of the Old Masters. But Dix used landscape as an allegory. The ice breaking up on the river in front of Steckborn, and the rainbow descending vertically upon the village, can be read as a prophecy and a blessing. Prophetic, too, are the two forest paintings done in '42, which suggest that the nation is lost in a deep wood.

Toward the end of the war, Dix, then was mobilized into the Volksturm and taken prisoner by the Allies. He spent 18 months in a POW camp where he continued to paint. This last period of his work, both Expressionistic and mutely despairing, can be seen retro-spectively to forebode the style of painting now current in Germany.

The entire work is a poignant memorial to the century we will shortly be leaving. It places Dix very high indeed, as an artist and a human being, and reveals the significance of German art throughout the harshest of times.

BOOKS

East Meets West, Giving Market a Boost

By Souren Melikian International Herald Tribune

ONDON - It was the first serious test of the art market as seen from Europe. "The Art & Influence of Asia" sale with its almost exclusive focus on Japanese art of the 19th and 20th century held at Bonhams this week could not have come at a more sensitive moment.

Did Cyril Frankel, the British film and theater director, whose second passion is avant-garde ceramics and who masterminded the meteoric rise of Bonhams in the field in just 10 years, have secret misgivings at the back of his mind? This was the first time that stoneware vessels by Shoji Hamada, Japan's leading 20th-century master potter, were up for sale in large numbers, and yet Frankel, with all his admiration for the master, did not play up that motif. Instead, the catalogue cover mentioned that this was the sale of the Janet Leach collection of pottery.

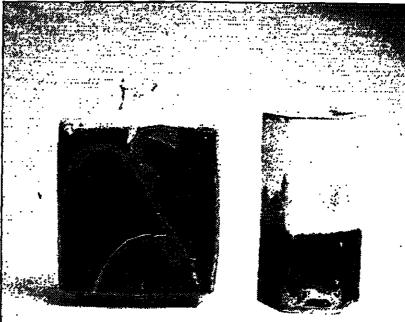
True, that made it yet another world premiere. For the first time, it was possible to see the Japanese vessels that the Texan potter, nee Janet Darnell, had most admired and lovingly collected, first while studying the art in 1954 under Hamada in Japan and later over a lifetime of working trips to Japan. At the viewing that preceded the auction, a few of Janet Leach's own pots and other vessels by her husband, Bernard Leach, transformed the room into a unique showcase of East-meets-West avant-

One object admirably symbolized it - a big 18.5-inch-high Korean jar of the 17th or 18th century covered in a thick off-white glaze. Beruard Leach had bought it in Korea in 1943. Back in England, he first entrusted it to his friend the potter Lucie Rie, and then gave it to her. She, in turn, left it to Janet Leach with whose collection it was being sold this week.

If ever the fate of an object must have seemed uncertain, this was it. With South Korea steeped in depression, the days when it might have gone for \$1.5 million or more seemed an eternity ago.

The beauty of the art market,

however, is that it is unpredictable. What drives traditional buyers who buy not for investment or for status is their



A flattened, square bottle vase and a hexagonal vase by Shoji Hamada.

love of the objects. They are moved by an impulse that is as irresistible as it is ill-defined. Add the rarity factor in a market where supplies are shrinking, and the collector's attraction can prove more powerful than the fear of economic disaster.

On Wednesday, its effect was perceptible right from the beginning. The sale started in a low key with trinkets of the kind that have enchanted Europe since the 19th century. They included, for example, netsukes, i.e. small animal figures in wood or ivory made to dangle from the strings of medicine boxes. Their technical perfection can make the best of them irresistible to those whose feel for art is tactile as well as visual.

Y the time a small rat curling over a vegetable, carved in brown wood by Tomokazu, fetched £2,185 (\$3,670), more than the estimate, some professionals began to feel that things were not going badly. Minutes later, the first piece of some significance came up. The ivory rabbit pausing to scratch its shoulder with

intense concentration carries the signa ture Kaigyokusai Masatsugu (1813-92), a household name to the cognoscenti, who ran it up to a generous £34,500, And then came the big test of the day—Bernard Leach's white Korean jar for which Bonhams quoted a £150,000 es-

timate. I watched a Korean who sat in one of the back rows as he battled with another bidder from the Far East. The white jar climbed up to £386,500. Given the chip at the mouth and a star crack in the lower part of the body, the price is huge even if it was less than what it would have cost at the height of the Korean craze three or four years ago. The buyer identified himself as Korean collector living in the United States." The East-meets-West phenom-

enon had done the trick. It did it again on a smaller financial scale but over a considerable number of objects, when came the turn of Hamada and his school. A Japanese writer, Yuko Kikuchi, remarks that "a crucial turning point which turned Hamada's interest from painting to pottery was his enand Kenkichi Tomimoto in the Mikasa Gallery, Ginza, in 1912."

Hamada thus came around to Japanese pottery via the work of a Westerner who wanted to be Japanese and that left its imprint on his work. The Japanese master whom Hamada equally admired was Tomimoto, himself penetrated with Westem influences. A square stoneware dish in the sale was painted with a landscape in quick reddish strokes in quasi-abstract fashion in a Westernizing rewrite of the Japanese tradition. Tomimoto's strokes owe as much to Western abstractionism as to Eastern calligraphy. The dish was acquired for £2,300 by a bidder who later bought another square dish, this time by

Done in a Japanese medium, stoneware, and in Japanese colors, brick-red over brownish black, this, too, betrays a Western influence. Hamada's piece has a vibrato to the abstract strokes that is more evocative of New York school Japanese design. It made £9,200. The buyer was a Japanese collector as much at home with 20th-century Western art as with the art of her own culture.

Hamada's Westernizing interpretation tions of the Japanese potter's art likewise fascinated Western buyers. A young English collector went after a squat vase in red and green enamels on ivory ground, paying a stiff £11,270 to get it, and later succumbed to the lure of a £1,955 footed bowl by Fujio Koyama. Decorated in a few short strokes of dripping rusty brown enamel and a single arched stroke of green enamel on white ground, Koyama's bowl looks like some ceramic invention of the New York school of the 1970s.

Ironically, but to the point, the true masterpiece in the Japanese taste was inexpensive. The hexagonal vessel has the size of a traditional brush pot. Decorated in dark brown in the lower area and nale olive mountains rising on tones of white in the upper part, it is immensely poetic and made only £2,990, matching one of Frankel's remarkably accurate expectations, bang in the middle.

For collectors, this was a fantastic day in which prices were entirely determined by them, not by speculators. For Bonhams, it was a small triumph. For the true art market, not driven by hype, it

Gentle Changes for the Frick Collection

By Carol Vogel

paneled room built more than eight decades ago as the boudoir of Adelaide Childs Frick, but he spends his days looking toward the future.

Flashing across his computer screen is a picture of the Frick's famous living hall with its 16th-century paintings, fine French furniture, Renaissance bronzes and magnificent Persian carpet. With the click of a mouse, he made the hall spin in every direction. Nine months in the making, the museum's new Web site — www.frick.org — offers the usual menu of practical information but also includes a virtual-reality tour.

"We've had hits from all over." Sachs said. "Four-thousand people in the first two days pulled up the Web site from countries like Australia, New Zealand and Scandinavia."

A year ago, Sachs, 62, left the financially troubled Detroit Institute of Art, where he had been director for 12 years, to become director of the Frick. Slowly, with judicious infusions of technology and a good deal of patience. Sachs is trying to transform one of the most famously old-fashioned institutions in Manhattan into one that is more user-friendly. Some of his ideas, like the Web site and a multilanguage digital Acoustiguide, are coming to fruition. He knows that other ideas - expanding exhibition space, extending hours, opening a café and even relocating the entrance — may be a bit ambitious for what has long been viewed as a place where nothing changes.

Since it opened to the public in 1935, the limestone mansion at One E. 70th Street built for Henry Clay Frick, the Pittsburgh coal and steel industrialist, quickly became one of the city's most popular attractions among dedicated art lovers, with attendance of more than 250,000 a year.

The last gasp of America's Gilded Age in the heart of the Upper East Side, the Frick offers an intimate look into

portions. But the denoue-

ment, with a motley crew of

British hacks, their bisexual

prime minister, a Greek bil-

lionaire and a women's rugby

team holed up in Surago dur-

ing a revolution is very funny.

And his characterization of

journalists, proprietors and

politicians is close enough to

work and objects from the 14th to the 19th centuries - fine French furniture of the 18th century, bronzes, Chinese porcelains and Limoges enamels - are arranged as though the Fricks still lived there. The walls are lined with Holbeins, Vermeers, Rembrandts, Turners, Gainsboroughs and Van Dycks, and rooms are filled with Bouchers and Fragonards.

Sachs refers to his mission as one of 'fine tuning'' rather than making major changes. The trick, as he well knows, is to make the museum more dynamic without ruining what people love about it.

When Frick died in 1919, he left his

home and art collection to a board of trustees with instructions that they become a study center for art and related subjects. The institution has a large endowment for its size, more than \$200 million, but little space to mount temporary exhibitions. It also has a notoriously guarded nine-member board, run by Henry Clay Frick 2d, Frick's grandson, and several other family members. While many museums are courting the newly rich to become members of expanded boards, the Frick has kept its

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Visitors to the Frick Museum in New York using digital Acoustiguides.

board at its original size, giving the impression that it is a private club. Some supporters say privately that they fear any changes will ruin the Frick's special character, others say the Frick needs to

The Frick has reached out to a growing group of younger supporters. "There are lots of people who love the Frick." Sachs said. "But they don't think they'd be welcome here. I want to make this a more welcoming place, not mess it up.'

COUNTDOWN By Charles Deber

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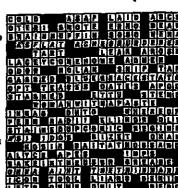
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ments, accuracy is optional and comment preferred to news. Parochialism is taken for granted and jingoism generaily preferred as the formula makes money. To takes a good, old-fash-ioned British journalist, or of Time Heald's fictional ac-

sues, rule editorial judg-

any visiting foreigner, to reccount of the post-Fleet Street London press scene. Journaognize how truly awful the list, biographer of sportsmen British press has become. Once-quality broadsheets of-fer much the same sensation-writer, Heald has been mostly fer much the same sensationviewed as an elegant, amiable alist sex, royalty and foodbut undernanding all-purpose scare fare as the notorious author. But with tabloids. Personalities, not is-Press" he has worked himself up into a satirical rage against

> The plot centers on the reporting of a sexual relationship between the prime minister and his (male) private do his proprietors have the secretary. Leading the pursuing bloodhounds are the into men of Citizen Kane pro-

world he knows all too

sheet Conscience, organs of a proprietor known as Chinese Ken, who made his money in Hong Kong but otherwise has characteristics in common with Rupert Murdoch. Its main rival is the Intelligence. controlled by the octogenarian Lady Beatrice. The hero, for want of a bet-

tabloid Noise and the broad-

ter word, is the axed literary editor of the Conscience who reinvents himself as a media consultant and creates the circuristances for the story's move from London to Surago, a Caribbean island cross between Cuba and Haiti. Heald never quite reaches

the heights of satirical absurdity of Evelyn Wangh's and filing by cleft stick. Nor the press and proprietors be

be disturbing. A "Scoop"-style brevity would have helped. Some readers may tire at the descriptions, accurate enough as they are, of the transition of rough but semi-honest old Fleet Street to the new age of Wapping, bean-counter management and journalistic nihilism. But Heald succeeds in "Scoop" with its Daily Beast making his righteous anger at

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ART IN MONACO: THE COLLECTIONS

PONDERING VISIONS OF SACRED BEAUTY

The Chapelle de la Visitation houses an important collection of religious art.

place for prayer and meditation. Chapelle de la Visitation, a 17th-century chapel perched Monaco, however, has bewith a more artistic bent.

from the collection of sacred art of Barbara Piasecka Johnson, a Monaco resident and one of the world's most respected art collectors.

Divine inspiration

the greatest masterpieces put on display. have been created thanks to powerful religious inspiration. Religion evokes great emotions in artists and normai people alike."

gardi, Juscpe de Ribera and Felice Ficherelli. Carlo Bononi.

interior.

fittings months.

When Barbara Piasecka Johnson approached the gov-director of cultural affairs, ernment with the offer to loan points out that the museum her collection, it was Prince plays a significant role in the gested the chapel as its re- Every year, in connection

chapel is usually a presented inside an extraordinarily beautiful sacral La building.

She had turned to the principality because of "its very on the rocks above the port of rich social and cultural life. It was only natural for me to come a place for meditation share part of my collection with the people who have Since 1995, the church has accepted me as one of their housed 20 important works own," she explains. She is grateful to Prince Rainier and Prince Albert for their enthusiasm in receiving her col-

Vermeer on show

In addition to the 20 "per-Vis. Johnson has been drawn manent" works on loan until to sacred art because, she ex-plains, "I feel that some of masterpiece is temporarily

This year, the work of art is "Saint Praxedis," an atypical early painting by Johannes Vermeer, the 17th-century Dutch painter often ranked Her collection cannot help among the greatest masters but inspire emotion, drawn as of Western art. It is being it is from artists such as Peter shown alongside the work Paul Rubens, Alessandro Al- upon which it is based, by

"Saint Praxedis" is "a dif-The baroque setting of the ficult painting," admits Ms. chapel is equally moving. Johnson, who has a master's with its lavish and luminous degree in art history from the University of Wroclaw in her Principality of native Poland and also stud-Monaco transformed it from ied art history in Rome. "But a school chapel into a lo- it is strikingly beautiful and cation with museum stan- well reflects the spiritual life dards - including the re- of Vermeer." It is also the quired climatic and security only Vermeer in a private col-— in only six lection; all others belong to

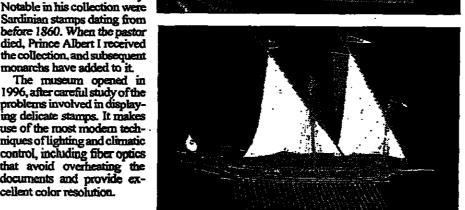
Rainier Rocchi, Monaco's with the featured work on "I wholeheartedly em- display, an expert is invited to braced the idea," says Ms. prepare a scholarly discus-Johnson. "What could be sion of its history and im- Praxedis. more fitting? Religious art portance. This monograph is For 1999, Mr. Rocchi meditation.

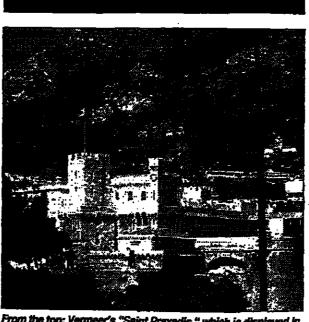


available to the art commu- hopes that a Caravaggio may Rainier who personally sug- artistic life of the principality. nity attending the opening presentation

be on offer. Caravaggio is Ms. Johnson's favorite artist Arthur Wheelock, Jr., a from the Baroque period, and noted Vermeer expert, wrote the Italian Baroque is her prethe monograph for "Saint ferred period of art history, so ···-- the prospects-are worthy-of-







From the top: Vermeer's "Saint Praxedis," which is displayed in the Chapelle de la Visitation (pictured immediately below); an automaton in the National Museum; a model in the Naval Museum; the Palais Princier.

The second secon



Sardinian stamps dating from before 1860. When the pastor died, Prince Albert I received the collection, and subsequent The museum opened in 1996, after careful study of the problems involved in displaying delicate stamps. It makes use of the most modern techniques of lighting and climatic control, including fiber optics

"ART IN MONACO: THE COLLECTIONS" was produced in its cutirety by the Advertising Department of the International Herald Tribune. It was sponsored by the Centre de Presse Monaco. WRITER: Claudia Flisi in Monaco. PROGRAM DIRECTOR: Bill Mabder.

Shell Says Provide Will Fall Shor A SMALL WORLD'S INTRICATE CHARMS

The National Museum's doll and automaton collection is not just for children.

That a doll-sized country like Monaco (with a total area of 0.9 square miles) should feature doll-sized figures in its national museum may seem sweetly logical. And the museum's collection of more than 400 18th- and 19thcentury dolls, 80 automatons from the 19th century and 2,000 Lilliputian objects is today considered one of the most beautiful in the world by collectors, experts and historians of

But when Monaco's National Museum opened its doors in 1972, the idea of displaying dolls as objects of cultural and artistic interest was "quite avant garde, especially in the francophone world," says Ametic Bordeau, secretary general of the National Museum.

Madeleine de Galéa, a patron of the arts who died in 1956, had left an impressive array of dolls and related objects, which her grandson offered to the principality. Prince Rainier took the gamble of creating a museum for them and chose a villa designed by Charles Garnier (architect of the Monte Carlo Casmo and the Paris Opera House) to display the collection.

Villa Sauber's 19th-century architecture provides an appropriate setting for its unusual occupants. The gardens, with their 1,500 rose bushes and outdoor sculptures, add to the

"Madame Galéa had a collection 'de charme'," notes Ms. Bordeau. "She was not a purist; she collected for her own pleasure." Included are engaging groupings of miniature furniture, tea sets, musical instruments, irons, even rows of little socks that serve to illuminate the era they represent. . Madame Galéa loved fashion, and collected couture cloth-

ing all her life. The dolls began as an offshoot of this interest, she collected adult doll figures for their costumes. "You will note that there is only one child's figure in the entire collection, and no babies," points out Ms. Bordeau.

About 45,000 visitors tour the museum every year, but only one-fourth of them are children. "This is really more a

museum for adults," admits Ms. Bordeau.

Nevertheless, during the daily scheduled periods when the automatons are wound and set in motion, both adults and children ooh and aah. The animated figures, which Madame Galéa collected at a later point in her life, illustrate the late 19th-century anistocracy's fascination with the circus, exotic themes and monkeys practicing human pursuits (playing

instruments, smoking, etc.).

Because of the delicacy of some of these figures, the National Museum has created duplicates of some of them to perform for the daily "shows." The snake charmer, for example, is one of only 12 such automatous in the world, and connoisseurs consider it extremely valuable. Given the artistry of the restorers, costumers, painters and technicians involved, even experts would be hard-pressed to distinguish the copies from the originals.

A series of dolls sporting clothes and coiffures originally worn by Princess Grace - and recreated by her couturier and hairdresser — is another popular feature of the museum. So is a lavish 18th century Nativity scene with ornate Neapol-

Young girls may gravitate to the Barbie dolls on display;

Stephanie when they were children. This year, a special exhibit called Dolls of Japan will be on display through the end of September.

Bringing Art TO THE PUBLIC

Contemporary sculpture enriches parks and plazas.

¬ he purity of Riviera Côte d'Azur. It is a tradition works of art. Fifty sculptures that Prince Rainier of are displayed in the Place dia Monaco wants to perpetuate Casino, the heart of Monte in the principality.

Monaco's budget is spent on principality's permanent colart and culture (a high percentage, points out Rainier Rocchi, Monaco's director of money has traditionally been allocated to the performing arts, such as its worldrenowned ballet company, orchestra and dance academy.

Art in green spaces

Under Prince Rainier, the visual arts are receiving greater attention, Today, visitors to Monaco can enjoy to 100,000 sculptures by artists such as (\$17,500) Fernando Botero and Henry Moore in many of the open Made in Monaco spaces of the principality.

The state has acquired

drawing international artists," that visitors are surprised and delighted to see contemporary art in this context."

The Biennale for 1997-98 sunshine has long at- has attracted 40 artists from tracted artists to the 17 countries displaying 71 Carlo, most of them from the Although 4 percent of Biennale but some part of the

A separate initiative in the realm of modern art in cultural affairs), most of this Monaco celebrated its 32nd edition in 1988. It is the Prix International d'Art Contemporam de Monte Carlo, and includes paintings as well as sculpture. A subsidy from the Prince Pierre of Monaco Foundation ensures the participation of some 20 artists under the age of 40 from countries on every continent. They vie for prizes worth up to 100,000 French francs

Some of the artists whose works are on display in more than 60 contemporary Monaco's open spaces and sculptures to eurich its parks who serve as judges for the and seaside plazas. A specially produced guidebook cided to locate their art stumaps out their locations for dios in the principality. Eight tourists. This collection was ateliers on the west side of begun in 1987, coinciding Port Hercule have been made with the first Biennale of available at low rents to mer-Sculpture organized in the itorious artists. Botero, Jeanprincipality.

Michel Folon and Valerio

This was the first show of Adami are among the contemporary art in Monaco, sculptors and painters who and it is a prestigious event are now creating works "Made in Monaco" as a re-

explains Mr. Rocchi. "From sult of this initiative. "All the the people who write us, from ateliers are occupied," recomments we hear, we know ports Mr. Rocchi, "and we are hoping to open them to the public next year during National Heritage Day." •

Prince Rainier's collection of virtuge cars.

On Oct. 4, all of Monaco's museums (with the exception of the

FREE ACCESS TO A RICH CULTURAL HERITAGE

architectural interest will be open to the public free of charge. the Continent's cultural heritage, country by country.
Last year, more than 40,000 people visited 24 museums

and sites in the principality, plus four nearby locations in Menton, France and Ventimiglia, Italy, with ties to Monegasque history. Free buses shuttled visitors among the

"A unique feature of this event is the opening of a number Oceanographic Museum) and many sites of historical or of places rarely accessible to the casual tourist," notes Rainier Rocchi, Monaco's director of cultural affairs. He cites The day marks Monaco's participation in the Journée the Salle Garnier (home of the Monaco Ballet) and the Européenne du Patrimoine, a Europe-wide event celebrating Casino, City Hall and the Palace of Justice, all of which include guided tours to explain the historic and artistic importance of each venue.

A booklet describing all the participating locations, with opening hours, the bus schedule and a map of the principality, is available through the Monaco Office of Tourism (tel.: 377 92 166166).

HISTORY RECOUNTED BY ARTFUL OBJECTS

Curs, stamps and coins, and model boats are exhibited at the Terrasses de Fontvieille,

of Monaco are cars (the sentative of their time, and I Monte Carlo Grand Prix), like them." stamps (they are well-known collectors' items) and the sea displayed in a specially de-Monaco's Coin and Stamp (the tiny country's Mediter-signed five-level hall. Some Museum. The state-owned runean location).

life as permanent museums, love at first sight. The oldest clustered near each other in a car in the collection (and the building of recent construct first purchased by the prince) tion overlooking the Port de is a De Dion Bouton 1903.

The prince's cars

amassed over a period of 30 luxury.

personal collection of vin- der, but together they rep-

with the Principality exceptional, they are repre-

 One hundred vehicles are were gifts to the prince; oth-All have been brought to ers he acquired after falling in

A number of cars recall the history of World War II, others the finned fantasies of One of them can truly be 1950s America. Rollsconsidered a "princely col- Royces, Maserans, Jaguars, lection," as it encompasses Lamborghinis and Mercedes Prince Rainier's private col- are also present, befitting the lection of automobiles, principality's reputation for

At the exhibition's open- "Collection des Voitures An- a hand press used by invited ing in 1993, Prince Rainier ciennes de S.A.S. le Prince artists to make stamp proofs observed. "This isn't an de Monaco" are not dis- for visitors, and a variety of automobile museum but a played in chronological or- plates for stamps and coins.

hree of the most ob- tage cars from every age and resent a passage through was begun by an English pas-vious associations country. Commonplace or automotive history. tor, Reverend G.G. Barbier, at

Philatelists' choice History of another sort can be

traced through the exhibits of Monaco's Coin and Stamp collection consists of two display areas: a large exhibition hall and the hall of rare stamps. The former presents Monaco's coinage and bills, and its stamps, dating from 1885 to the present.

Currently on exhibit is a control, including fiber optics display of all the stamps cirthat avoid overheating the culated under the reign of documents and provide ex-Prince Rainier, as well as all the color proofs and plates used to produce them. Also Salling through the ages displayed is a printing press Delicacy of another sort can used to produce Monaco's be found in the Naval Mu-The autos constituting the stamps for more than 50 years,

seum, opened in 1993. Two hundred model ships, along with objects reflecting naval history over the ages, are exhibited, some recreating the The rare-stamp collection delicate rigging of clipper ships, others the details of

Roman warships. The majority of models in the 600 square meter museum are drawn from the private collection of Monaco resident Claude Pallanca, Others belong to Prince Rainier, whose contributions enriched the collection considerably. Models include first-cen-

the end of the 19th century.

monarchs have added to it.

cellent color resolution.

tury Mediterranean boats; the Pinta, Nina and Santa Maria of Christopher Columbus: the Titanic; and examples of World War I and World War Il warships, including a fivemeter version of the aircraft carrier Nimitz.

MALL WORLD Shell Says Profit Will Fall Short Will Fall Short

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Not an area

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'Difficult Trading Environment' Forces Closure of 4 Main Offices

LONDON -- Royal Dutch/Shell Group warned Friday that its second-half profit would fall short of expectations and said it would undertake a restructuring that would include closing four main European offices.

Mark Moody-Stuart, the company's chairman, warned shareholders that "the results in the current and next quarter are expected to reflect as difficult a trading environment as we have seen in the last five years."

The statement pushed down the price of shares in Shell-the world's largest publicly traded oil company — in London and

In London, shares in Shell Transport & Trading fell 18.75 pence to close at 336 (\$5.65), while in Amsterdam, Royal Dutch shares closed at 88.50 guilders (\$46.26), down 4.80.

"I think they were too ambitious with the forecasts," said Wendy Anderson, an analyst at Lehman Brothers. "Shell maintained forecasts when other companies were cutting

Mr. Moody-Stuart said the company expected oil prices to hold at current low levels for the next two to three years because of the world economic downturn, particularly in

Warmer-than-normal temperatures in the Northern Hemisphere last winter also crimped demand.

"In general, the slowdown that Asia-Pacific has experienced for over a year now seems to be spreading to other parts of the world," Mr. Moody-Stnart said.

He said the low crude prices were squeezing profit margins

in Shell's refining and chemical businesses. The company said it might write down the value of some of its assets this year because of the weak outlook. It also warned that its return on capital employed, a measure of efficiency in making investments, would fall below its May projection of

between 12 percent and 12.5 percent. To cut costs, Shell will close big offices that run its operations in Britain, the Netherlands, France and Germany, leaving employees in smaller, decentralized offices to deal directly with headquarters.

The company will close its national head offices in London, where 2,000 people work; in Rotterdam, where 470 people work; in Hamburg, where 850 people work, and in Frankfurt, where 900 people work.

Shell could not say how many of the jobs would be eliminated, although many of the people will be transferred to For example, Shell U.K. announced that it would send 300

of the 2,000 people in the London office to Aberdeen, Scotland, where it runs its North Sea oil operations. "There will be some job losses, but the number is unclear,"

said Eric Nickson, a Shell spokesman in London. The pressure to make cuits in costs is especially acute for Shell, which saw its refining profit fall 10 percent in the second quarter; British Petroleum Co.'s refining profit was

down 3 percent in the same period, (Reuters, Bloomberg, AP)



An elderly woman begging for money Friday outside a foreign exchange office in Moscow.

Soon, Starbucks in Tea-Sipping China

The Associated Press

BEUING — Starbucks will open its first coffee stores in China next year and plans to open 500 stores in Asia by 2003.

Starbucks representatives signed a licensing agreement Friday with Beijing Mei Da Coffee Co. to open retail locations in Beijing. Starbucks currently has 65 stores in Asia, about half of them in Japan.

Mei Da is a 50-50 joint venture between statebacked Beijing General Corp. of Agriculture, Industry & Commerce and Borderless Investment Corp., a Seattle-based venture capital com-

Lawrence Maltz, president of Borderless and a former executive at Starbucks, said the first store was set to open in Beijing in early 1999.

Although China is a nation of tea drinkers, Starbucks will offer the same product line of lattes, espressos and other coffee drinks, as well as tea, that it does elsewhere, Mr. Maltz said.

"It would be foolish for us to wait until coffee was well entrenched in China," he said. "We are prepared to take the time and to make the invesiments necessary.

Starbucks Coffee International, a subsidiary of Seattle-based Starbucks Coffee Co., has opened shops in Japan, Singapore, the Philippines, Taiwan, Thailand and the United King-

The company's shares closed at \$30.0625, up 87.5 cents, on the Nasdaq stock market. But the stock is still down sharply from its high for the year of \$58.125, reached in early July.

Moscow Frees Rubles For Banks to Pay Bills

\$1.65 Billion Aimed at Reviving Activity

By Timothy L. O'Brien New York Times Service

MOSCOW- The central bank said Friday that Russia's insolvent banks could use about \$1.65 billion in precious ruble reserves to revive the stalled payment system.

The ruble has been gyrating for weeks as banks and the government have ma-nipulated its value against the dollar to make it easier for Russian banks to pay off debts denominated in dollars.

While this provided brief comfort to delinquent banks, it has thrown the finances of Russian citizens into disarray and made it impossible to predict the ruble's daily value. That unpredictability and a lack of cash have led banks to stop processing bill payments and have halted financial activity in the country.

The government's reasoning is that freeing the reserves, which banks typically pledge to the central bank as a nest egg designated to cover bad loans, will ease the payment system and get fi-

nancial activity moving again.

But the central bank is gambling that it can trust the banks to use the reserves to settle bills. Russian banks, many of which operate more like freewheeling speculative funds than banks in the Western sense, may instead use the rubles to buy dollars.

That was the case when the International Monetary Fund injected some cash into the central bank a few months

If the banks buy dollars, they will drive the value of the ruble down further and take another bite out of the buying power of rubles held by Russian citizens. Moreover, the central bank said it would print extra rubles to replenish the reserve fund, a move that will be in-

The central bank set its official rate for the weekend at 16.38 rubles to the dollar, weaker than Friday's opening rate of 14.60 to the dollar.

In other signs of crisis, Reuters reported that Norilsk Nickel, one of the world's largest producers of nickel and platinum-group metals, said it was considering staff and production cuts. That sparked a sharp jump in nickel prices on the London Metal Exchange.

The central bank said Thursday that it

would print rubles to buy short-term government bonds, known as G.K.O.s. from banks. Russian banks' G.K.O. holdings are currently worthless, although they were worth about \$8 billion when the ruble was devalued in Au-

It was unclear what price tag the government intended to put on essentially worthless bonds, but it said it would also print rubles to accomplish the task --another inflationary exercise.

Russian finance is essentially a shell game right now, with the government's printing press issuing increasingly devalued rubles in an effort to establish enough momentum so that the economy

can begin creating real value again.

"This is the first serious step to improve the situation of the Russian banking system," Rossiisky Kredit's chairman, Dmitri Lyubinin, said in a statement. "We hope the payments which were coming from other banks to our clients will at least be made and our clients will get the money they have

been waiting for for so long."
Yet the government is not the ideal candidate to be bailing out failing banks because its own finances are in dangerous shape. The government has slightly more than \$12 billion in foreign-exchange reserves, a standard by which its financial wherewithal can be

But about \$5 billion of those reserves in gold, leaving about \$7 billion in liquid assets that the government can use to prop up the ruble or pay off foreign debt. Foreign debts may total as much as \$200 billion, however, so the government is left with desperately little room to maneuver.

In order to build a lifeline that can pump funds into the central bank, the government also has said that it will nationalize the tobacco and alcohol in-

Alcohol sales abroad earn Russia a major chunk of hard currency that can be earmarked for government use, while control of the tobacco industry gives the government access to a steady stream of rubles. While many analysts raised serious doubts about the viability of the government's recent initiatives, others said it could ease some of the ruble's

U.S. Capital Spending Feels the Pinch

By Louis Uchitelle

NEW YORK — Having just built one new factory and expanded another, Chrysler Corp. is cutting back on capital investment

AT&T Corp. also has trimmed its capital spending, but for a different reason: It purchased an existing phone network, rather than spending money to . And Motorola Inc., its sales hurt by the

Asian crisis, is postponing investments in new factories and machinery, even going so far as to halt construction of a \$3 billion semiconductor plant in Virginia. Capital spending, a pillar of strong U.S. economic growth the last three years, is beginning to fade. First falling exports, then falling stock prices and now a slowdown in capital spending are

chipping away at the vigorous economy, watering down growth in the second half of the year. But despite these hits, the economy appears to be strong enough to stay out of recession for now, thanks to robust

consumer spending.
"The economy is not falling apart," said David Wyss, chief economist at Standard & Poor's DRI, a data-gath-

ering and consulting operation. What you are seeing is some evidence of a weakening in capital spending, partly in response to Asia and partly because, in most industries, we have already added as many new facilities as we are likely to need for a while."

Capital spending is the investment that companies and individuals make in machinery, equipment and buildings to operate their businesses and make them more efficient. The cumulative result is a more vigorous and productive economy. In the 1990s, robust capital spending has been a huge contributor to the U.S. economy's overall growth, accounting for 25 percent of the total expansion in output

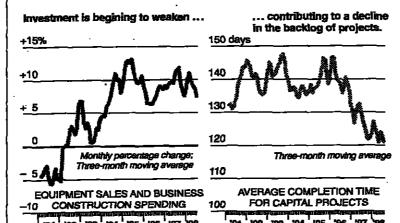
in this decade — substantially more than in either the 1970s or the 1980s.

While the fall-off in sales to Asia has played a significant role in discouraging capital spending, a bigger obstacle - one only partly a result of the Asian downturn - appears to be overcapacity. In interviews with officials at 15 U.S. cor-

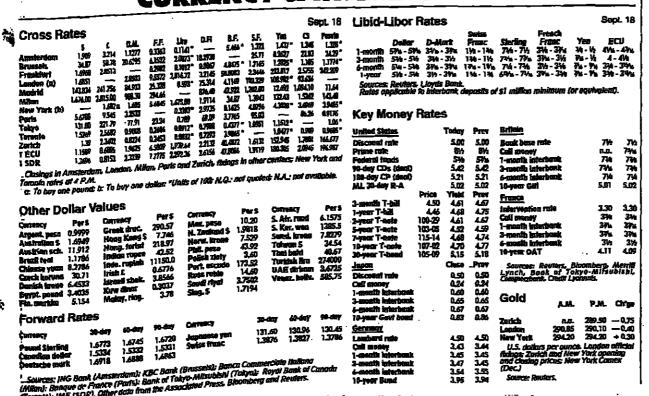
See SPEND, Page 12

Companies Scale Back Investments

Capital investment, one of the pillars of economic growth in the 1990s, is starting to fade, contributing to a slowdown in the American economy.



CURRENCY & INTEREST RATES



PARIBAS SHAREHOLDERS

15%

return on equity

on an annual basis.

Stockholders' equity

(excluding minority interests)

FRF 56.7

billion

Tier One Cooke Ratio

8.1%

Earnings per share

FRF 27.3

for the first half of the year

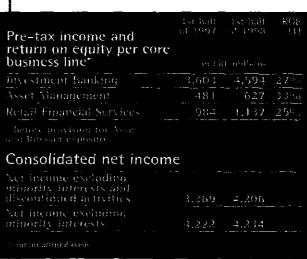
Paribas,

the leading

euro bank.

Net income excluding minority interests of FRF 4.23 billion.

25% growth in net income excluding discontinued activities



PARIBAS' AMBITION IS TO BE THE EUROPEAN REFERENCE AND ONE OF THE WORLD LEADERS IN EACH

OF ITS CHOSEN

BUSINESSES

25% growth in revenues and income from all three core business lines

In the first half of 1998, Paribas' revenues increased by a substantial 25%. Net income excluding minority interests amounted to FRF 4.23 billion. This figure includes a provision of FRF 2 billion retained on 31 August to cover the bank's exposure in Asia and Russia.

Investment Banking: pre-tax income increased by 28% thanks to growth in customer activities and to the fine performance of Paribas Principal Investments.

Asset Management: pre-tax income grew by 30% thanks to increased savings inflows and to the development of international activities.

Retail Financial Services: pre-tax income rose by 16% thanks to increased new loan production, maintained margins and the signature of new partnership

Paribas has the means to achieve its ambitions

The merger of Compagnie Financière de Paribas, Compagnie Bancaire and Banque Paribas into a single entity "Paribas" is now effective. This operation has made it possible to streamline the Group's structures, to cut costs and to speed up the international development of the bank's specialized subsidiaries.

Paribas' corporate strategy is geared to creating value for its shareholders on a permanent basis by focusing on activities and markets offering high potential in terms of profitability and future growth.

This strategy, founded on specialization and partnerships as well as Paribas' new corporate structure reinforce the Bank's financial strength, its potential for future growth and its ability to withstand the upheavals of the economic environment.



PARIBAS INVESTOR RELATIONS 3, rue d'Antin, 75002 Paris - France - 33 1 42 98 66 35 - Internet : http://www.paribas.com

THE AMERICAS

Investor's America 30-Year T-Bond Yield Exchange U.S. The Don 1020.09 ** 1018.86 S&P 500 495.25 494.95 40.18 S&P 100. NYSE Composite 507.54 - 506.35 - +0.24 Nesdag Composite 1663.77 ... 1546:24 ... +1:95 U.S. AMEX Composite 627.16 621.25 348.95 U.S. 5772.80 5725,(0 /40.83 Toronto 6708.56 6432.40 44.31 São Paulo Вомевра 3474.01 : 3895.48 ... +2:31 Mexico City Boisa 359.27 250.18 4-2.60 Buenos Aires Merva Closed 3056.62 3007.60 (292).51 42.95 Capital General Source: Bloomberg, Reuten

Very briefly:

- Micron Technology Inc. raised prices on memory chips for the first time in three years amid increased demand and tightening supply. Contract prices for 64-megabit memory have risen to more than \$8 from \$7.60 a few weeks ago.
- · Citigroup, the bank and financial services company that will be formed from the planned merger of Citicorp and Travelers Group Inc., could lay off as many as 8,000 employees, or about 5 percent of its work force, by the end of the year, a company spokesman said.
- Academy Life Insurance Co., a seller of life insurance to military personnel, has been barred from U.S. defense installations after the Pentagon accused the insurer of deceptive practices by using its close relationship with the Non-Commissioned Officers Association to push policies on troops.
- Nike Inc., the sportswear giant, reported first quarter net carnings of \$163.8 million, a 35 percent decrease from the \$253.1 million earned in the same period last year. · Sumitomo Corp. has reached a tentative agreement to pay
- \$42.5 million to settle two remaining class action suits stemming from actions by Yasuo Hamanaka, a rogue copper Bloomberg, WP, AFP, AP

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AMEX

Friday's 4 P.M. Close The 200 most traded stacks of the day, up to the closing on Wall Street.

Remote American Ameri HEREN THE PROPERTY OF THE PROP

Stocks Rise as Investors Look for Safety

Compiled by Our Staff From Disposities NEW YORK - Stocks rose Friday as gains in telephone, tobacco and beverage shares offset declines in companies whose fortunes de-

pend on a growing economy.
"There is a move to security and safety," said David Bayer, portfolio manager with Knappenberger Bayer Management Inc., based in Min-neapolis. "People still have to make phone calls."

The Dow Jones industrial average finished 21.89 points higher at 7,895.66, while the Standard & Poor's 500 index rose 1.22 points to 1.020.09.

Gaining issues outnumbered losing ones by a 3-to-2 ratio on the New York Stock Exchange, and the Nasdaq composite added 17.52 points, to 1,663.77.

Telephone companies, which tend to pay higher-than-average divi-dends, rose. AT&Trose 19/16 to 59,

The expiration of futures and options contracts on stock indexes and options on individual stocks made trading volatile.

Investors are still wary about the impact of weakening world economies on U.S. corporate profits, making stocks susceptible to profit 5.15 percent from 5.18 percent warnings. Gillette and others warned this week that slumping economies overseas were hurting profits.

poster child for that," said Ted lease the videotape of President Bill Bridges, a money manager at Clinton's grand jury testimony on Bridges Investment Counsel Inc. his relationship with Monica Lew-"If people can't afford a razor, then insky, a former White House intern. hings must really be bad."

"There's still some political inthings must really be bad."

cent in the week.

and Ameritech rose 1 9/16 to 4914. into the relative safety of the U.S. quarter profit at the computer-net-Treasury bond market

The price of the benchmark 30year bond rose 15/32 point, to 105 10/32, sending the yield down to financial-management software.

U.S. STOCKS

Thursday. The yield has fallen about 90 basis points since April. erseas were hunting profits.

Bond prices got a lift from the "Earnings are far more at risk decision by the House of Representhan people thought, and Gillette is a tatives' Judiciary Committee to re-

Gillette ended down 5/16 at 36 9/ stability," said Joel Kent, economist 16 and declined more than 15 per- at Lehman Brothers. "It's a reminder that this thing's not done."

working company would be hurt by slower sales to large distributors. Platinum Software, which makes

lost 4 13/16 to 8, also on womics about its profit prospects.
Oil stocks fell after Royal Dutch/

Shell wanted it would miss analysts' earnings expectations. The Anglo-Dutch company's American depositary receipts lost 2 11/16 to 46 3/16. "It's bringing home to investors that these are tough times to operate an oil company," said Robin Younger, chief equity strategist at

Spaghetti Warehouse rose 11/4 to 71/4 after the restaurant chain said it would be acquired for about \$60 million by Consolidated Restaurant, a unit of the investment concern The profit worries also are caus-ing many investors to move money

Among active stocks, Xylan fell Cracken, Harkey, Street & Hart-ing many investors to move money

Among active stocks, Xylan fell Cracken, Harkey, Street & Hart-ing many investors to move money

Money active stocks, Xylan fell Cracken, Harkey, Street & Hart-ing many investors to move money

Henry Cooke Lumsden

Yen Falls Amid Skepticism About Japan's Bank Plan

ulation that a plan to reform Japan's banking system would not revive the Japanese economy soon.

Japanese leaders agreed on a plan

aimed at restoring health to the country's banking system that calls for taking over some of the country's weakest large banks, closing smaller institutions and injecting billions of dollars into the banks to dispose of bad loans.

BA and U.S. Ally

- A Wider Plan?

The Associated Press

LONDON --- American Air-

lines and British Airways have

yet to gain regulatory approval of a trans-Atlantic alliance, but

they could be on the verge of

announcing a global arrange-

ment, reports indicated Friday.

Don Carty, and his BA counterpart, Bob Ayling, were said to

be planning to discuss a "major worldwide" initiative at a news conference Monday. The Aus-tralian Associated Press said

Cathay Pacific Airways would

join with them. A Texas daily

said the two might bolster mar-

keting ties with Canadian Air-

U. S. STOCK MARKET DIARY

R. 说写代

27 9-30 10-15 5 2355 9-22 10-26 5 2256 9-30 — 5 4454 9-35 10-29 - ,11 9-21 9-30 - ,22 9-23 9-30 5 .1257 9-24 10-7 - ,10 11-27 12-16

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STOCK

INITIAL

lines International and Qantas.

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401,58 494,35

AMEX

Dividend

American's chief executive,

FOREIGN EXCHANGE

economy to lure traders to the yen lion) in problem loans.

outlook for Japan is still negative," Thursday. said Mark Parry, a bond manager at Hill Samuel Asset Management in most major European currencies Hans Tietmeyer, suggested recently London. "The Japanese economy is amid speculation the U.S. Federal that Germany will not lower its bornot going to change direction. Reserve Board might cut interest rowing costs soon.

Bloomberg News

Analysts said these were steps in We've had a negative view on the rates before the German central NEW YORK — The dollar rose the right direction but that they might yen for some time."

I against the yen Friday amid spector back arapid enough impact on the rates before the German central bank does, undercutting the dollar's allure compared with the mark. five decades, in part because its

banking industry is saddled with at least 77 trillion yen (\$582.76 bil-

The dollar fell to 1.6950 Deutsche marks from 1.6965 DM on Thursday and to 5.6845 French francs from 5.6888 francs, though it rose to right away.

The dollar rose to 132.63 yen in 4
1.3943 Swiss francs from 1.3915
"While this is good news, the P.M. trading from 132.13 yen francs. The pound rose to \$1.6820 francs. The pound rose to \$1.6820 from \$1.6813.

SPEND: Slowdown Starts to Pinch U.S. Capital Investment

Continued from Page 11

porations, many said that after having made huge investments in recent years to increase production, they are pansing while sales catch up.

Even without an outsized crisis

like the one emanating from Asia, corporate America normally goes through cycles of robust capital spending followed by pullbacks. More than seven years into an economic expansion, this appears to be a time for pullback.

"Until we see that more demand is likely to occur, we are not going to go into another cycle of capacity expansion," said Wynn Van Bussman, the chief economist at Chrysler Corp., which recently completed a new engine factory in Detroit and

America to be higher in the next year or two than they already are this year," Mr. Van Bussman said. Like Chrysler, Levi Stranss & Co.

womies about overcapacity. Even after closing 11 factories in the United States in recent months, the company still has the capacity to manufacture more jeans than it can sell domestically. So it is shifting money out of its capital spending budget and into marketing.

Capital spending at Motorola, the communications and electronics gi-ant, has been curtailed by a worldwide downtum in semiconductor sales and falling prices for these computer chips. The downturn is partly a result of recessions in Asia and partly a result of overcapacity in the United States. Whatever the balance of those expanded a transmission factory.

reasons, Motorola's \$4.5 billion cap down and forced a variety of cut when don't expect sales in North ital spending budget in the backs in production.

much of it earmarked for the United States, has been slashed to \$2.9 billion. Nearly half of the cutback in-

volves semiconductor operations. The incipient pullback in capital spending is developing rapidly. After having shot up at an annual

rate of 16 percent from January through June, the growth rate for capital outlays will probably shrivel to 5 percent or 6 percent in the second half, some forecasters say. That would subtract at least one-quarter of a percentage point from the growth rate for the economy.

Even without the cut in capital spending, economic growth is likely to be under 2 percent, as it was in the second quarter. During that quarter, falling exports and excessive stockpiles of unsold goods led to a slowdown and forced a variety of cut-

Accord Set On Running The Internet

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Washington Post Service WASHINGTON - The company that assigns most of the world's Internet addresses and a University of Southern California research organization have reached an agreement to administer many of the global network's most critical administrative functions.

The deal, announced Thursday after months of contentious negotiations in the Internet community, is a crucial step toward transferring control of the network's administration from the U.S. government to

the private sector.

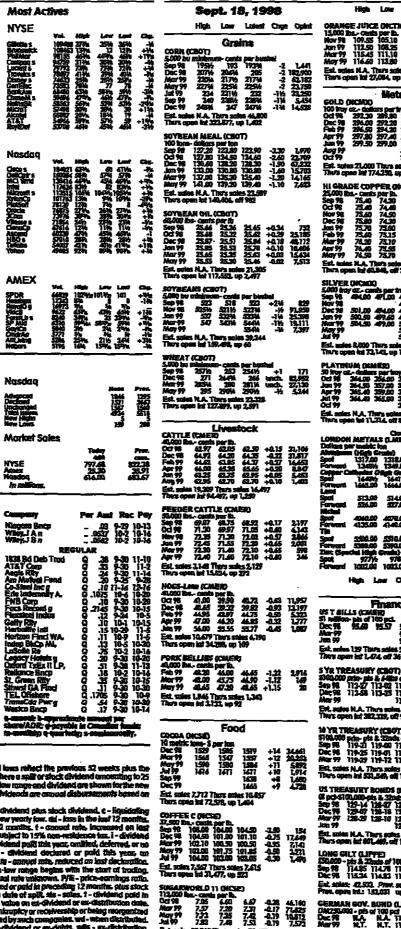
The government said in June that it would cede authority of the Internet to an international consortium led by the private sector — but such a group still had to be formed and had to be approved by the White House. Under the deal — reached by Network Solutions Inc. and the Internet Assigned Numbers Authority at USC — a nonprofit corporation would assume control of administrative functions, including assigning Internet addresses. That task is now handled by Network Solutions, which has an exclusive government contract.

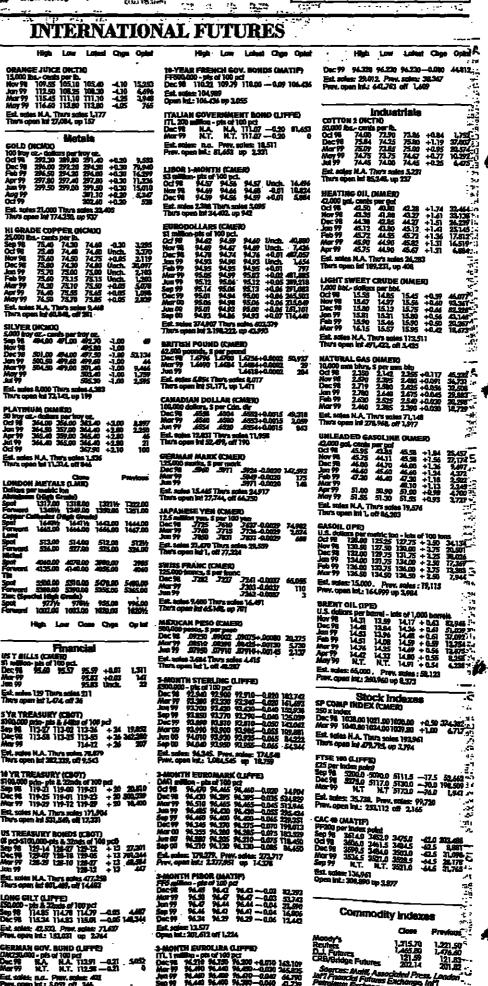
The new corporation eventually would allow other firms to assign addresses and would decide whether to expand the number of "top-level do-mains," or addresses suffixes such as ".com" and ".org." Internet analysts said they think the agreement will be supported by other Internet organizations and eventually will be

blessed by the White House. Those involved in Internetgovernance issues have long wanted to set up such a corporation, but the dominant players had not been able to agree on details, such as how

members would be selected. The plan gives Internet organizations and businesses a big voice on the corporation's board, but also calls for nearly half the members to be from the broader Internet community.

Still unresolved is how the corporation's first board members will be chosen, a process that could elicit controversy.





Shareholders Cast Votes on DaimlerChrysler

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Corp.'s shareholders quickly approved a \$39.6 billion acquisition by Daimler-Benz AG on Friday, but Daimler shareholders were still deliberating after more than 10 hours, a sign of the vast cultural gap separating the two.

The meetings foreshadow the challenges for the new company as Daimler, Europe's biggest manufacturer, mies to blend its cautious bureaucracy with Chrysler's fastmoving style. The combined company has great potential if it can meld Daimler's top-notch technology and Chrysler's low-cost manufacturing methods over a global sales base, analysts and manage-

ment specialists said. The Daimler-Chrysler deal is the biggest in a wave of mergers and acquisitions sweeping the automot-

savings and marketing muscle amid increased global competition.

er from Stuttgart, who supports the proposal and said he would trade in his Daimler shares for stock in the proposed DaimlerChrysler AG.

The Daimler meeting in Stuttgart, which started at 10 A.M., drew 13,400 shareholders and lasted well into Friday evening. Daimler's biggest investors, Deutsche Bank AG and the state of Kuwait, which together hold about 34 percent, back the plan. But many shareholders expressed concern that Daimler would become largest car company. It would have too "Americanized," with too annual production of 4 million cars much emphasis on profit, divi-

dends and executive pay.

'If Daimler-Benz doesn't do it, resenting 73 percent of Chrysler's someone else will," said Andreas outstanding shares voting to ap-Hildebrandt, a Daimler sharehold-prove the transaction. Most big shareholders had long since voted

> This is different because it is not a desperate attempt by two weak companies to survive by leaning on each other," Chrysler Chairman Robert Faton said. "This is not a merger to rationalize costs. It's a merger to produce growth. We aren't destroying redundancies.

We're creating opportunities."

DaimlerChrysler would be, as Chrysler is now, the world's fifthand trucks, including such strong brands as Mercedes cars and Jeep Chrysler's meeting in Wilming- sport-utility vehicles. The com-

ive industry as companies seek cost ton, Delaware, drew only 139 bined company would employ shareholders and ended in about 412,000 people and have annual two hours with shareholders rep-sales of \$130 billion and earnings of \$4.5 billion.

> Juergen Schrempp, chief executive of Daimler-Benz, told shareholders Friday that their company was in better shape now than it had been in for years. Operating profit doubled in the first half of 1998, to \$2.26 billion, and revenue projections for 1998 have been raised from \$79 billion to \$83 billion.

But some shareholders are concerned that the Chrysler purchase might dull the image of Daimler's Mercedes brand.

Mr. Eaton assured shareholders that both companies would continue to emphasize their respective identities. "The proud heritage of Chrysler won't be lost nor will the proud heritage of Daimler-Benz," (Bloomberg, Reuters)

profit forecast when a share swap

company did not have the infor-

mation leading to the profit warning

the U.S. Securities and Exchange

Commission may launch an inquiry

on the same issue, traders said.

An Alcatel spokesman said the

Investors also are concerned that

(Bloomberg, Reuters)

with DSC was finalized Sept. 7.

at the time.

Help Profit Rise at Nestle Coupled by Our Stelf From Duposche

Lower Costs

ZURICH - Nestle SA said Friday that its first-half net profit rose 7.4 percent as lower commodity prices and cost-cutting more than offset higher spending on market-

Nestle, the world's biggest food company, earned 2.03 billion Swiss francs (\$1.45 billion) in the six months to June 30, up from 1.89 billion francs a year earlier. Sales rose 5.6 percent, to 35.32 billion

European food-company earnings are rising amid the continent's fastest growth in a decade, blunting sluggish sales in Asia and Brazil. Nestle has streamlined its production and product range to cut costs while taking advantage of lower

prices for cocoa and coffee. "They've had problems in crisis countries," Anne Alexandre, an analyst at Credit Suisse First Boston, said, "but this is more than compensated for by the strength in Europe. Investors are reassured.

Nestle shares rose 54 francs to close at 2,660. The company forecast further gains for the year and said it remained confident about its long-term outlook.

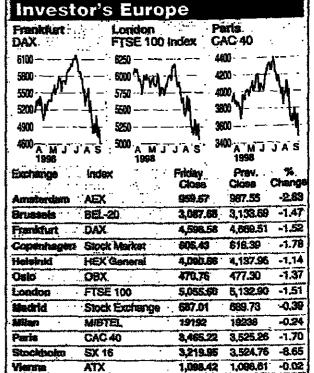
Nestle, based in Vevey, Switzerland, sells more than 2,000 products including Taster's Choice coffee, Perrier and Poland Spring bottled water, Stouffer's prepared foods and Carnation milk products.

The company buys as much as 12 rcent of the world's production of ocoa and coffee. Cocoa prices have fallen 16 percent in the past year as economic turmoil in Russia has added to concern about sliding dehave fallen 25 percent. That more than offset an 8 percent increase in Nestle's first-half marketing costs.

Separately, Nestle said it would appoint Rainer Gut as nonexecutive chairman in 2000, succeeding

Helmat Maucher, who is retiring. Mr. Gut has been a Nestle director since 1981. He will leave his post as chairman of Credit Suisse Group. Credit Snisse Group said Lukas Muchlemann would be appointed chairman in addition to his current

(Bridge News, Reuters, Bloomberg)



Very briefly:

Zonich

 RAO Norilsk Nickel fired 200 employees, or 30 percent of its managers, and planned to cut mine output as a financial crisis in Russia and low base-metal prices crippled Russia's largest nickel and palladium producer.

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• Denmark's central bank raised its discount rate half a percentage point, to 4.25 percent, and its repurchase rate one percentage point, to 5 percent, following four consecutive days of intervention to support its currency, the krone, against the Deutsche mark.

 Societe Europeenne des Satellites of Luxembourg, which beams television pictures into almost half of Europe's homes, said first-half profit rose 8 percent, to 3.65 billion Luxembourg francs (\$104.7 million), as sales rose.

• Assurances Generales de France SA, France's third-largest insurer, said first-half profit rose to 2.34 billion French francs (\$415.9 million) from 1.03 billion francs in the year-earlier mand, and robusta coffee prices period, lifted by acquisitions and favorable financial markets.

• CVC Capital Partners Ltd., a private equity fund, agreed to buy Smurfit Condat, a unit of Jefferson Smurfit Group PLC, for 215 million Irish punts (\$320.4 million) in cash and combine it with Cartiere del Garda SpA to create Europe's fifth-largest producer of coated fine papers.

• Spain's National Statistics Institute reported that the country's unemployment rate fell to 18.78 percent, or 3.06 million people, in the three months from May to July, from 18.91 percent in the previous quarter, as buoyant economic growth cut the highest jobless rate in Europe to its lowest level in six years.

• Racal Electronics PLC and Thomson-CSF SA plan to form a venture to make "digital battlefields," which allow military commanders to receive voice, video and data from conflicts, and forecast sales of as much as £1 billion (\$1.69 Bloomberg, AFP, Reuters billion) over five years.

Alcatel Weighs 'Significant' Share Buyback

PARIS - Alcatel SA, seeking to reduce damage done by its warning I hursday that profit would not meet forecasts this year, said Friday it would consider a "significant" share buyback program.

Alcatel's stock plummeted 38 ercent Thursday, wiping \$11 billion off its market value, after it said it;would fall short of full-year profit estimates because slowing demand in Europe was compounding the effect of economic turmoil in Asia and

Russia The stock swung between gains and losses Friday before closing at 555 francs (\$97.56), down 16.

was not enough to regain their confidence. They faulted Alcatel's chief executive, Serge Tchuruk, for sooner, especially in the company's first-half sales report issued July 28, when it forecast double-digit growth in sales this year and emphasized position to the deal. problems in Asia without highlighting any slowdown in Europe.

'Wouldn't Tchuruk have known more about falling orders at the beginning of the summer when he spoke to the financial community?" aşked Michel Faure, a fund manager

Chevrillon Philippe in Paris: nies, and I do not have a habit of munications Corp., which Alcatel acmanagement."

tions de Bourse, said Friday if was pervisory board. opening an inquiry into the company's share plunge.

Mr. Tchuruk told the daily Le misled the markets about the company's outlook.

As far as the information to analysts is concerned, I have always

'Confidence has been shattered in cheating,' he said. "From the mo-nanagement." quired this year, might sue Alcatel on ment I had the indication that we the grounds that the French company The French stock market watch-dog, the Commission des Opera-tations for 1998, I informed the su-profit forecast when a share swap

the market's reaction and said the share-buyback proposal was an effort Monde on Friday that he had not to make up for the Thursday rout. Mr. Tchuruk also said he had no ntention of resigning in the wake of

He said he had been surprised by

Traders said investors were worrespected the rules for listed compa-ried that shareholders in DSC Com-

Investors said the buyback plan Pernod Set to Defy Paris by Selling Orangina by not enough to require their one.

not calling attention to the problems Friday that it was determined to push ahead with its plan to sell its Orangina unit to Coca-Cola Co. despite the French government's op-

> "We are determined to examine all the possibilities to move our case on in the interests of the company, of Orangina and of its employees, said Thierry Jacquillat, chairman of Pernod.

The Finance Ministry of France dicated the French company expec- petition."

PARIS - Pernod Ricard SA said titrust body ruling that the sale Orangina, agreed in December would penalize consumers. PepsiCo 1997, had been meant to fund Per-Inc., whose products Orangina dis- nod's international growth in wines tributes in France, had argued the and spirits and Pernod said it remove would give its rival 99 percent ceived the government's ruling with of French sales of orange soda and

> whether to keep the bid of 5 billion reality of the single European mar- position as chief executive. francs, but Pernod's statement in- ket and its opening to global com-

decided Thursday to back an an- ted Coke to keep trying. The sale of 'incomprehension.'

The decision seems to us to un-Pernod shares closed at 395 derestimate the challenges currently francs (\$69.43), up 16.20 francs.

Coca-Cola said it was not sure said. "It completely ignores the

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(Reuters, Bloomberg)

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The Greenspan Effect: Bearish

When the Fed Chairman Speaks, the Dow Usually Posts a Drop

By Gretchen Morgenson New York Times Service

NEW YORK - When Alan Greenspan talks, the market listens. And most of the time it doesn't like what it hears. On 31 occasions in the last two years, the Federal Reserve chairman has testified before the U.S. Congress on a variety of matters. On 21 of those dates, almost 70 percent of the time, the American market fell immediately after his

Make that 22. On Thursday, the Dow Jones industrial average dropped by 216.01 points, a loss of 2.67 percent. It was the first full day of trading after Mr. Greenspan's testimony Wednesday, in which he told the House Banking Committee that there was no coordinated effort among the world's central banks to cut interest rates.

Investors were clearly disappointed that Mr. Greenspan presented no solutions to the economic problems that have

than he was in December.'

Mr. Greenspan's comments were just the latest in a long line of disappointing utterances, at least where investors are concerned. That the stock market falls fairly consistently when the Fed chairman speaks is an indication that stock buyers think he is the market's version

Wall Street's Costly Confessions

By Tim Smart

ngton Past Service WASHINGTON — It's confessional season on Wall Street, and it's hard to pick the winners from the sinners.

When the New York Stock Exchange opened Thursday, one of its earliest casualties was Gillette Co., maker of such well-known consumer goods as Sensor razors and Duracell batteries.

Gillette's stock fell more than 8 percent, following a tumble of more than 10 percent the day before, after the com-pany said Wednesday that third-quarter sales would be down because of weakness in its foreign markets, specifically in economically crippled Asia and

slumping Latin America. Gillette's third-quarter warning followed others in recent days from a variety of American companies, including banks and brokerages, consumer-products giant Procter & Gamble Co. and manufacturers in a wide swath of industries. These include hotel and lodging service companies Hilton Ho-tels Corp. and Host Marriott Corp., both terrified many of the world's markets.

"I was disturbed that the comments Mr. Greenspan made about the changes that need to be made were all in the future tense," said M. Cary Leahey, chief U.S. economist at High Frequency Economics Ltd.. "He gave the impression that he was no closer to solutions

Shares Fall After Companies Cut Earnings Forecasts

of which warned that business would be off because of Asia.

For companies, this is the pre-announcement or "confessional" season, in which they line up to adjust analysts' expectations. So far, 56 percent of the companies that have announced have warned of lower sales or earnings than Wall Street anticipates, according to Chuck Hill, research director of First Call Corp. In the second quarter, two-thirds of all announcements were downward revisions, he said, and this quarter is likely to surpass that.

"This is the steepest cutting we've seen this year," Mr. Hill said. Analysts and economists said the announcements from a broad range of companies, including those in the services sector of the economy, showed how the Asian crisis and resultant financial troubles in Latin America were starting to hit closer to home.

"You look at a situation like Indonesia, they're just looking to buy rice, not Coke or Pepsi," said Scott Brown, economist at brokers Raymond James & Associates Inc. in St. Petersburg, Florida.

To be sure, investors have come to love Mr. Greenspan for his perceived ability to keep the economy on course. Until this summer, negative reactions to his comments were temporary, usually lasting less than a week. But his testimony before Congress on July 21 came only two trading days after the broad stock market averages reached their peaks. Since then, it has been rough sledding for shareholders.

Tracking what happens to stocks after the Fed chairman's testimony — what might be called the Greenspan effect - comes courtesy of Tom McClellan, of The McClellan Market Report, a technical analysis investment advisory service based in Lakewood, Washington. Mr. McClellan went back to 1996 for his research and included only those occasions when Mr. Green-

span addressed Congress. "It seems to be his personality that he has been able to talk down the market with words rather than actions," Mr. McClellan said. "But it is funny how the market and investors hear what they want to hear in the words that cross his lips."

Mr. Greenspan's speech at the University of California at Berkeley two weeks ago, which ignited the market on Sept. 8, is a prime example of investors' hearing in the Fed chairman's comments exactly what they want to hear. Even though the speech gave only a hint that a rate cut might be forthcoming, the market rallied by 380 points.

Most of the time, though, Mr. Greenspan drives the market down. For example, on July 18, 1996, he appeared at his twice-yearly question-and-answer session with congressional committees. He reminded the lawmakers that even if the United States was indeed in a new economic era, as many were arguing, inflation could still threaten economic stability. Over the next three days, the Dow Jones industrial average fell 2.1

On Jan. 21, 1997, Mr. Greenspan addressed the Senate Budget Committee. The only fretting he did in this talk was to worry about a possible pickup in wage costs. The Dow lost 3.3 percent of



Mr. Greenspan's effect may be calculated. "He's been trying to let air gently out of the balloon for nearly two years now," said one economist.

its value over the next five trading

This year, the chairman has been especially talkative. He has testified before Congress 15 times to date; in all of

1997, he spoke on 14 occasions. So far in 1998, on nine occasions investors have reacted negatively to Mr. Greenspan's testimony; on three occa-sions, they liked what they heard. Twice, the market had no reaction at all.

Mr. McClellan has limited his re-

search to congressional testimony. "When I looked at the dates of his

speeches that were not testimony," he said, "there wasn't as good a correlation for what the market did afterward. Routine speeches to the Rotary Club or the University of California don't have the same effect on the market." The Greenspan effect could, of

course, be a calculated one. "He's been trying to let air gently out of the balloon for nearly two years now," Mr. Leahey said, referring to inflated stock prices. "The market has listened to him for a day and then has forgotten what he said

The Flash of a New Issue Fine Darby to The Prospect of a Goldman Sachs Offering

Dazzles Investors, but Should They Dig In?

By Mark Hulbert

ALEXANDRIA, Virginia — Initial public offerings are viewed by many investors as the ultimate no-brainer. Virtually no homework is required in order to win. All you have to do is buy a company's stock on the day it goes pub-

lic and realize huge one-day profits. The coming IPO of Goldman, Sachs & Co. is feeding off of this perception. Investors reading the preliminary prospectus are titillated by the huge sums that the

WALL STREET WATCH firm's partners stand to gain if, as expected, Goldman Sachs goes public in

November. Investors want part of the All but lost is a more important ques-

tion: Should investors be drawn to Goldman Sachs simply because it is a

It is easy to understand why investors think they should. Imprinted on their memories are IPO success stories such as that of Netscape Communications Corp., which soared to more than \$75 from \$28 on the day of its initial offering in 1995. IPOs are just so much money in

the bank, they figure.

A funny thing has happened, however, on the way to the bank.

Consider the performance of stocks covered by two newsletters that focus on IPOs: New Issues, published by the institute for Econometric Research in Deerfield Beach, Florida, and Emerging and Special Simutions, from Standard & Poor's. If remms like Netscape's were

readily achievable, these newsletters' picks should have easily beaten the market. But I calculate that they lagged behind the return of the Wilshire 5000 by 5.2 and 7.3 percentage points a year, respectively, from 1983 through July 1998. (The Wilshire, made up of about 7,600 companies, is used as a proxy for

the entire stock market.)

Nor is the experience of these newsletters unique. Academic studies have found consistently that the average IPO share lags the market significantly in the first five years after going public.

How could the public's perception, become so distorted? Memories, it-seems, are selective: Investors recall the: Netscapes far more readily than the lag-

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If this were the end of the story, my advice would be to avoid the Goldman offering. But it's not, thanks to a study published recently by two professors. Alon Bray of the University of Chicago. and Paul Gompers of Harvard. They; discovered a peculiarity of previous studies that made the performance of initial offerings appear worse than it was.

Here it is: Most companies that go

public are of the small-cap growth variety. They have small market capitalizations and relatively high price-to-book ratios; historically, such companies have underperformed the broad market. When previous studies found that IPOs underperformed, all they really were reporting was the pattern of small-cap growth stocks.

As a result, such studies are not particularly relevant to the offering of a business such as Goldman Sachs, which is certainly not a small-cap company and may or may not qualify as a growth stock, depending on the price that it

The professors, after adjusting for market capitalization and price to book ratios, found that the average IPO matched the performance of the broader

The implication is that the investment value of a company that is going public has nothing to do with the fact its shares are a new issue. While you shouldn't automatically avoid IPOs, neither should you buy them reflexively.

The bottom line is that there is no reason to expect that the Goldman offering will fare better or worse than the overall market

But there is one more cautionary note in the findings: More companies go public near market tops than near bottoms. A company typically does not go public when it thinks the market will

Mark Hulbert is editor of the Hulbert Financial Digest, a newsletter based in Alexandria, Virginia. He contributed this article to The New York Times.

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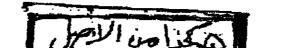
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Sime Darby to Post a Loss From Its Move Into Banking

long cherished for its conservatism and steady profits, has learned a painful lesson from inant companies. From Siam Cement Co. of Darby, that business was banking.

'lt's a mistake the management have admined to," said Lee Chiah Cheang, a fund manager at BHLB Asset Management Sdn. "They are now getting rid of that baggage."

Malaysia's oldest and biggest conglomerate, with businesses ranging from condom manufacturing to car distribution and oil-palm plantations, is expected to announce Saturday that it lost money in the year ended June 30.

The yearly loss — the company's first in two decades - primarily stemmed from its banking unit, which it is now selling.

KUALA LUMPUR — Sime Darby Bhd., from Asia's currency turnoil has damaged Asia's financial turmoil: Do not go into a Thailand to Sime Darby, companies across business you do not understand. For Sime

Asia have posted losses as consumer demand Darby that have been been as to cross shoes. for goods ranging from homes to sports shoes

dried up and economies shriveled. Sime Darby is expected to post a loss of 545 million ringgit (\$143.4 million), reversing a profit of 835.8 million ringgit a year earlier. That implies a profit of 131.2 million ringgit in the second half, assuming that the company succeeded in taking the troubled banking unit off its books by the end of its first half.

Sime Darby's banking unit, Sime Bank Bhd., posted a loss of 1.8 billion ringgit for the six months that ended Dec. 31, the biggest loss ever for a Malaysian bank. Sime Bank was for 1.3 billion ringgit.

Sime's troubles tell the tale of how the pain one of the two banks that the central bank in March said urgently needed fresh capital.

The banking unit's troubles have pulled

down Sime Darby shares, shrinking them to a third of their value a year ago.

The shares closed Friday at 2.48 ringgit, up

With businesses scattered across Asia and Australia, from auto distribution in Hong Kong to property development in Singapore, Sime Darby controls 340 companies in 22 countries. Sime Darby, which started as a plantation business, used its rubber estate and oil-palm plantation land for real-estate proj-

ects when property prices were soaring. In 1995, Sime Darby decided to venture into banking. It bought 60.35 percent of the banking unit of Datuk Keramat Holdings Bhd.

"Until they got into their banking debarle, they weren't in such a weak financial po-sition," said Loke See Ooi, an analyst at PB Worldsec Securities Advisor.

Sime Darby's banking and brokerage units racked up bad debts as the stock and property markets slumped when interest rates rose as the ringgit plunged. In April, Sime Darby found a buyer for its banking unit. Rashid Hussain Bhd. agreed to pay 770 million ringgit to Sime Darby for 60.3 percent of the bank.

Rashid Hussain's acquisition of Sime Bank stalled amid difficulties in the financing of the purchase but was put back on track when Malaysia this month agreed to provide 1.5

billion ringgit to speed up the deal. "The bleeding will stop once Sime Darby gets rid of the bank," said Franklin Tan, vice president at Premier Capital Securities Sdn.

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Ssangyong Plans To Sell Oil Stake

SEOUL - Ssangyong Group plans to sell a 28.4 percent stake in Ssangyong Oil Re-fining Co. to a foreign firm, possibly Saudi Arabia's stateoil company, Aramco, Ssangy-ong said Friday.
"We are negotiating with a

foreign company over the deal," said Chang Chang Joon, a spokesman at Ssangyong Corp., the group's trading arm. "We expect the deal to be concluded in October."

He said Aramco was a potential buyer.

Ssangyong Oil is held by the group's flagship cement company, Ssangyong Cement Industrial Co. The cement company has almost 3 trillion won (\$2.17 billion) of debt and needs to sell businesses to stay afloat.

Ssangyong did not give a price for the stake in the refining company, but did say that the total amount of foreign money raised through recent sales of its units would reach \$1 billion if this deal was com-(AFP, Bloomberg) pieted.

JAPAN: Parties Agree on Plan to Reform Banking System

Continued from Page 1

in loans that have not been repaid. Standard & Poor's Corp. estimates that the figure might be twice as

Japanese officials hope that the agreement will calm markets. But Seiji Otsuka, a banking analyst with Schroders, said there would still be concerns until the parties decided if and how they would put public funds

into the banking system to replace the money lost from the bad loans. The Liberal Democratic Party agreed to abolish a 13 trillion yen (\$97.01 billion) fund that allowed the government to inject money in key Democratic Party negotiator, banks. The law had few tough resaid that the most likely solution quirements for capital injection, and the opposition parties said the money was used to bail out Liberal Democratic supporters.

The parties have agreed to come up with a new mechanism, with strict standards, for the injection of public funds into banks. Mr. Otsuka said that until the 13 trillion yen fund was replaced, the changes would not improve the system.

But Mrs. Ogawa said she believed the revisions might ultimately improve the system. "I think the Democratic Party agrees that you can't just let banks fold like dominos, that you government to declare a bank inhave to use public money to support solvent and set up options for deal-

"What is encouraging to me is that pending on their size and other they clearly are determined to make factors, the institutions might be alsure that there are conditions at-

tached to this money She added that the Liberal Democratic Party's previous plan 'was structured or liquidated them; or pretty much — let's just throw the they might be overseen by a statemoney in the air and anybody can

have it. "That's out now, and that's a very good thing," she said.

The one issue that the negotiators did not resolve was the fate of Long-Term Credit Bank of Japan Ltd., the major lender that appears on the verge of collapse. Yukihiko Ikeda, a key Democratic Party negotiator, would be the temporary nationalization of the bank, although he said there had been no final agreement. The Liberal Democratic Party has insisted that Long-Term Credit Bank is not insolvent and that it

should not be closed. Analysts said that if the changes were carried out as explained, they might lay the basis for creating a profitable banking system. But they said that more details were needed.

The proposal agreed to Friday would do these things: • Make it legally easier for the

the banking system," she said. ing with bankrupt institutions, Delowed to fail and then be liquidated; or they might be temporarily nationalized, while the government reappointed administrator under a socalled bridge bank system until a

buyer could be found. Create a U.S-style Resolution Trust Corp. to buy bad debt from banks and sell off the collateral.

 Strip the Finance Ministry of its powers to determine which banks to nationalize. liquidate or restructure and transfer those powers to an independent panel, based in the prime minister's office. This agency, to be established by June 1999, is to set strict standards for disclosures, badloan reserves levels and rules for the injection of capital into banks.

This last item had been a major sticking point. The Liberal Democrats had tried to protect the power of the Finance Ministry and its influence over banks.

But opposition groups won out. They have argued that the Finance Ministry mined Japan's financial system by propping up bankrupt banks, construction companies and other companies with close ties to the Liberal Democrats.

Manila Strives To Save PAL

MANILA -- President Joseph Estrada stepped up efforts Friday to save Philippine Airlines, meeting separately with union members and managers five days before the ailing carrier was due to close.

PAL said it would reconsider its shutdown plans if unions accepted a long-term agreement and the government limited for-

eign competition. A 22-day pilots strike crippled operations at the 57-year-old airline, Asia's oldest, in June. This week, its employee association rejected an offer of a 20 percent stake in the company and three seats on its 15-member board in return for a 10-year suspension of collective bargaining. Union representatives said bargaining rights could not be sacrificed, even for the survival of the airline.

PAL's executive vice president, Manolo Aquino, said the process of closing already had begun. Asked whether the airline was bluffing, Mr. Aquino replied, "Let's see on Sept. 23." (Bloomberg, AFP)

Very briefly:

 NEC Corp., Japan's largest maker of personal computers and microchips, estimated it would have a loss in its first half ending Sept. 30, of 20 billion yen (\$151.4 million) and cited Japan's recession, falling microchip prices and cuts in capital spending by customers. The company had net income of 35 billion ven in the year-earlier period.

 Mobil Corp. and the Singapore government delayed plans to jointly build an \$800 million petrochemical plant on the Singapore island of Jurong because of Asia's economic slow-

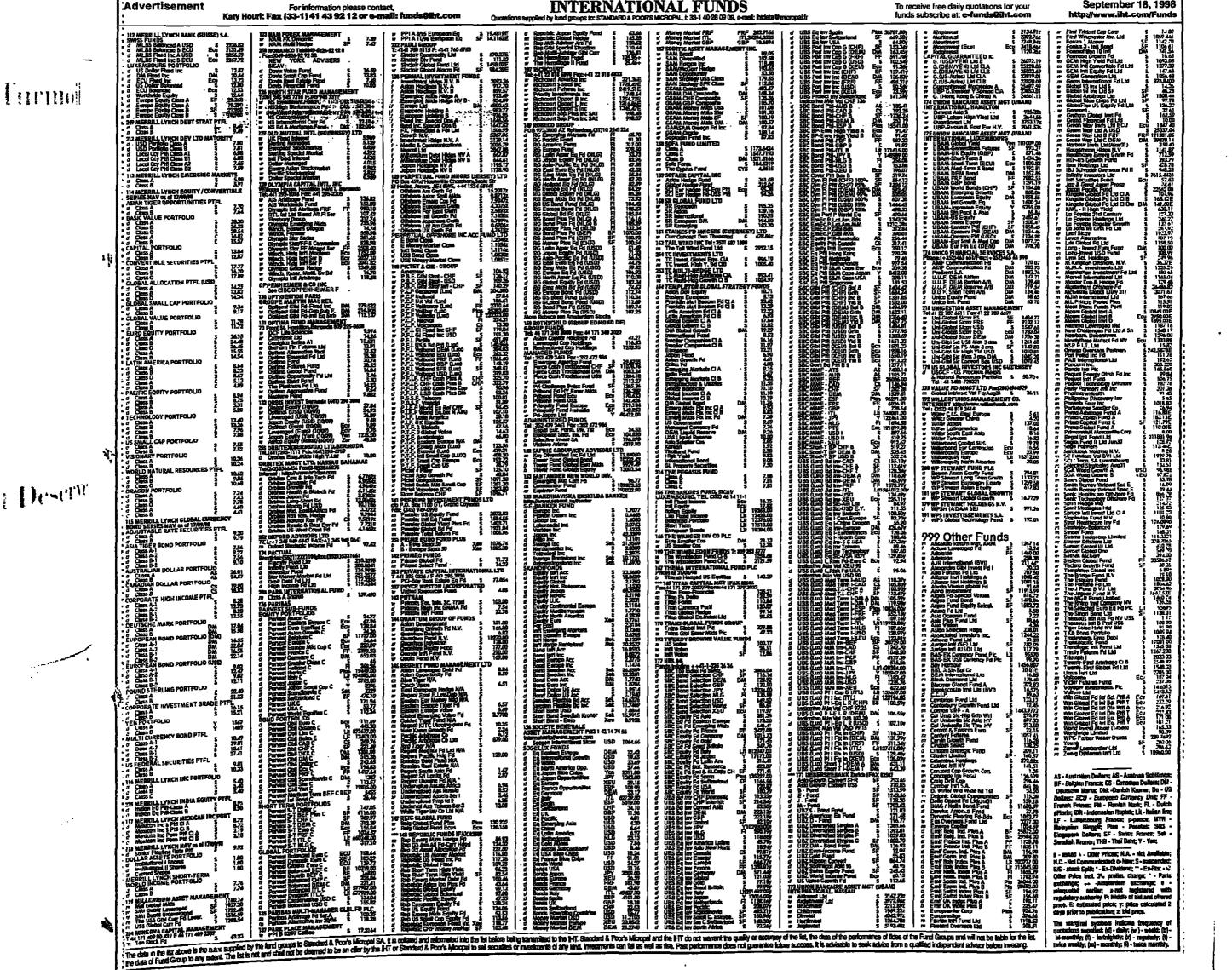
 Mitsukoshi Ltd., Japan's oldest department-store operator. halved its first-half profit forecast, to 450 million ven for the six months that ended Aug. 31, citing the prolonged slump in consumer spending.

• Broken Hill Pty., Australia's largest resources company said profit for its first quarter, which ended Aug. 31, rose 23.6 percent, to 351 million dollars (\$207.4 million), as costcutting and profit from asset sales helped offset falling commodity prices.

 Nomura Securities Co., Japan's largest brokerage, and Industrial Bank of Japan Ltd. plan to launch a derivatives company in London within a month.

• India set a limit of 74 percent on foreign ownership of Indian television programming and equipment companies, said Sushma Swaraj, minister of information and broadcasting.

September 18, 1998



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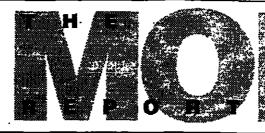
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The Low-Debt Remedy for Deflationary Ills

By Sharon Reier

E-mail address: moneyrep@int.com

F SWISS BANKERS have shown a knack for amassing the cash of the world's wealthy, Swiss corporations would seem to be following suit. A cursory survey of Swiss firms turns

up at least five companies that have accumulated net cash hoards: Novartis AG. the pharmaceuticals maker, the Swedish-Swiss conglomerate ABB Asea Brown Boveri Ltd.; Schindler Holding AG, the elevator concern; Saurer AG, a manufacturer of textile machinery, and the watch manufacturer Societe Suisse Microelectronique & d'Horlogerie SA. known as Swatch Group.

Although long known for their prac-tice of maintaining huge "hidden reserves" to compensate for lean times, Swiss corporations no longer keep their cash positions a secret. Beat Alpiger, pharmaceuticals analyst at Bank Julius Baer in Zurich, said that as they jockey to raise capital on the world's stock markets, "it is now more common for most globally active Swiss companies to use international accounting rules."

"Hidden reserves date back to 10 years ago, when they still adopted Swiss he added.

The rules may have changed, but the habits have not.

Novartis has a net cash position of \$5.7 billion in its coffers: \$14.2 billion in cash and marketable securities, \$5.7 billion in longterm debt and \$2.6 billion in debt due within the year.

Since Novarus is a result of a friendly stock-for-stock merger between Ciba-Geigy AG and Sandoz AG, the conglomerate did not put

debt on its balance sheet, and the enlarged concern has been restrained at a time when other pharmaceutical companies have been in an acquisition frenzy. Although managers reportedly have told analysis that they have their eyes open for opportunistic acquisitions in the fragmented pharmaceuticals industry, as re-

cently as two or three months ago they regarded prices as too high. Prices for drug stocks remain high, despite the recent plunge in European shares. The Swiss market took a beating in the past month or so, down about 20 percent after a three-year run-up, and No- was not harring the company badly.

varis stock is down 2 percent for the year is in Asia. They sell artor in Asia. be according to the whole, drug stocks remain knowledged, "but not in Southeast. strong because investors regard them as defensive plays in difficult times.

Novartis's best-selling products include a rheumatism drug called Boterin and Neoral, which prevents rejection of organ transplants. It also has an agricultural and a consumer-health division, which sells nonprescription drugs It has strong free cash flow and received pany's last annual report.

NFLATION IS nowhere in sight in the United States, which is exactly

about it. Two years ago, in an act of true benevolence, the U.S. Treasury

invented the only investment that truly

protects the little guy against inflation. It is remarkable that this investment

remains largely undiscovered.
Of course, it is easy these days to

forget that inflation can grind your

savings to powder. Statistics an-

nounced this week show that, over the

past year, the Consumer Price Index

has risen only 1.6 percent. But check

the history books: Since 1965, prices

have risen at an average of 5.2 percent

annually. At that rate, one dollar in the

year 2026 will have the buying power

if a washing machine cost \$400 last year,

Deflation has not spread globally, but even a whiff of it has sent Japan

into a swoon. As prices, including

wages, start dropping, consumers tend

not to consume. Instead, fearful, they

save, watch the value of their money

rise and wait till prices bottom out — if they ever do. Most everyone's last

experience with deflation, the Great

I have been worried about deflation

for the past year, I still believe it is a

serious threat. Commodity prices, in-

cluding metals and grains, are at 20-

year lows. The Producer Price Index

dropped sharply in August and is down

But this situation has been largely

discounted by the markets. Everyone

knows that inflation is low or non-

existent, and that condition has been

More important, consider the longer

term. Even if inflation has been tarned

today, do you really believe it will still be

docile in five years? How about 10 years?

Thirty years? It's doubtful that Alan

Greenspan will be leading the Fed then.

about inflation over the next decade or

the next generation, then you should

think about investing in what are

These are notes and bonds that protect you against inflation by paying a fixed

called "inflation-indexed securities."

If you have the slightest concern

priced into investments.

0.9 percent for the past 12 months.

Depression, lasted a decade.

Board. The buzzword has

been deflation - a de-

cline in the general level of prices. In other words

it will cost \$370 this year.

But hardly anyone bothers with in-flation today, except a few curmudgeons at the Federal Reserve

why a smart investor should worry

Changing Times May Mean No More Secrets In Swiss Firms, but Cash Reserves Still Abound

and nutritional supplements.

Swiss heavy manufacturers also are in the money.

Schindler, which installs elevators and escalators, has a net cash position of \$357 million — including a gross cash position of \$930 million and debt of 571 million.

Elevator companies enjoy strong cash flow because once their devices are in-stalled, there is a long residual profit stream in maintaining them, said Cyrill Moser, an analyst who follows Swiss manufacturers

at Merrill Lynch International in London. Mr. Moser noted that the whole mar-ket cap of Schindler was \$1.57 billion, so that it would take a modest \$1.2 billion to take it over.

"If you take the company over, you would get the cash as well," he said. Since it draws predators, cash can be a

double-edged sword. But Swiss companies have ways to minimize that danger. Many, including Schindler, Novartis, ABB and Swatch, have both registered and bearer shares. Registered shares have restrictions on their voting rights; bearer shares do not. Since the Schindler family owns most

of the firm's registered voting shares, the possibility of a hostile takeover is virtually nil. Mr. Moser also noted that Schindler's competitors, like

Otis or Finland's Kone, "couldn't take them over because of antitrust reasons." That largely restricts the field of possible suitors to the kind of financial companies that specialize in takeovers. But for them, the limited voting rights available

make a hostile deal problematic. One cash-rich Swiss concern that does not have two classes of shares to protect it is Saurer. According to Mr. Moser, the company's 250 million Swiss franc net cash position is "a very comfortable

situation right now, despite the fact they are in a very cyclical industry." Although Asia accounts for much of the market for textile machinery, Mr. Moser reckoned that the region's financial crisis

Asia: it is mostly in India and China." So far, those countries have been rel-

atively insulated from Asia's downtum. The Asian crisis may have more of an impact at ABB, which has a strong power-plant business in Asia. But ABB has a

"real" rate of interest that is topped

The securities trade in the market just

like normal bonds. Their prices - and

thus, the underlying real yields they pay
— fluctuate, though not much. For ex-

ample, the 10-year inflation-indexed

bond's real rate has varied over the past

protected bond and keep reinvesting the

power of your original investment in 20

years. That probably will not beat a

stock. If inflation averages 3.8 percent

and a stock returns 11 percent, then your buying power will quadruple in 20 years if you put your money in the

JAMES K. GLASSMAN ON INVESTING

Treasury bonds are a good insurance policy, and inflation-linked Treasuries

The Treasury has issued four series

of securities: a 30-year bond that ma-

tures April 15, 2028; two 10-year

bonds, one maturing Jan. 15, 2007 and

the other maturing a year later, and one

five-year note, maturing July 15, 2002.

The Treasury plans to keep issuing a

new series every October, January,

April and July. The next sale is ten-

The 10-year bond that matures in

2008 was last week paying a real rate of

3.66 percent. If inflation is 1.6 percent

this year, then it will pay an effective

yield of 5.26 percent, which is con-

siderably more than the 4.77 percent that the 10-year bond was yielding.

bond is priced to assume that inflation

will average about 1.1 percent for the

next decade. If you believe that, I have

Late last week, the 30-year infla-

tion-indexed bond carried a real yield

of 3.7 percent, compared with a yield

of 5.16 percent for the regular 30-year

bond. This means that buyers of the

latter are figuring that inflation will be

about 1.5 percent over the next gen-

eration - again, somewhat optimistic

in the coming decade or three, but investors would be prudent to put at

one judges from history. No one knows what inflation will do

some fine Russian stocks for you.

In fact, the conventional 10-year

tively set for Oct. 7.

may be the best insurance of all.

roceeds in similar bonds, you are virtually guaranteed to double the buying

If you buy a long-term inflation-

year from 3.54 percent to 3.86 percent.

off each year with an inflation ad-

Plan for Inflation While It Sleeps

Floating-Rate Treasuries Look Like a Good Insurance Policy

justment based on the CPL

more than \$500 million when it put its locomotive division into a joint venture with that of Daimler-Benz AG in 1996. Roger Birrer, industrial analyst with Bank Julius Baer, predicted that ABB eventually would make an acquisition

that bolstered its core power businesses. "It is a question of time," he said.
"In the past few months, M&A prices were quite high. Now they are more realistic, and companies will reinvest in operating businesses."

But the attraction of investing in stocks waning, he added, as companies start to wonder whether returns on financial assets will be as good as they have been in recent years. Another alternative to using corporate cash hoard — buying back the company's own shares — is not appealing in Switzerland due to punitive tax consequences, he added.

Mr. Birrer expressed doubt that having nonvoting shares in Switzerland could continue to prevent hostile takeovers. "A company can do nothing against a hostile takeover unless they have good reasons to stop it," he said.

He added that after the mergers of Ciba and Sandoz and of Union Bank of Switzerland with Swiss Bank Corp., which people thought could never hap-

pen," as long as there are "realistic reasons, people are willing to go for it." While the Swiss often take the lead in amassing cash, some other European countries have strong candidates.

In France, for instance, Societe Bic SA the company that boasts of selling 20 million pens and 4 million lighters each day, reported less than \$10 million in longand medium-term debt and about \$280 million in cash and investments at the end of 1997. And this despite the acquisition last year of Sheaffer pens - a higher-end brand that had been losing revenues.

After a wobbly period during which Bic attempted unsuccessfully to diversify into perfumes and sailboards, the company's fortunes have turned, and it was accorded a measure of respect when it was placed in the CAC 40 index of blue-chip French stocks in 1997.

Bruno Bich, who took over the leadership of the company from his father, makes no secret of wanting to use the company's cash and more than 348 million francs (\$62.1 million) a year in free cash flow to make more acquisitions. "Our treasury and substantial oper-

ating cash flow will allow us to seize acquisition opportunities in our areas of \$1.6 billion net cash position on its books. key competencies," he said in the com-

least some of their funds into these

bonds, which provide the only safe

way to protect against rising prices.

Imagine, for example, what would happen if inflation started showing up

on the Fed's radar screen. Interest rates

would rise to choke it off, and stocks

new globalized, techno-centric econ-

omy keeps prices low because pump-

ing up the supply of goods is easier than in the past, and more supply

Others differ. One Fed governor,

Edward Gramlich, said last week in

Pittsburgh, "You kind of look at the

different sectors in the U.S. and you

Even with deflationary winds blow-

means inflation.

money to combat an in-

ternational slump. That

Thus, inflation-protec-ted bonds. The U.S. Treas-

ing, it is not hard to imagine gov-

emments around the world printing

mry has issued more than \$50 billion

worth of them, and similar securities

(about \$140 billion worth) have been

issued by Australia, Britain, Canada,

You can buy the U.S. bonds easily through the Treasury or through a

France, New Zealand and Sweden.

as low as \$1,000.

government bonds.

get only \$900.

see inflation as more of a threat."

means lower prices.

Some economists argue that the

almost certainly would plummet.

At Natexis Capital, the analyst Florence Francou said Bic's cash pile "is one of their main assets.

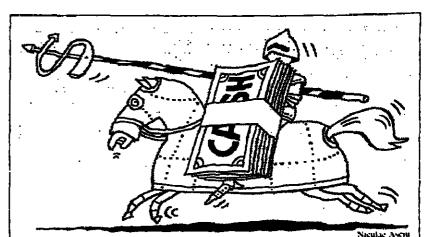
"If they find a good acquisition, they have a bundle to do it with," she added. "But at the moment it is not so good to have a bundle of cash because interest rates are going down. People could get tired of holding while they just make these low interest rates. It could be good

for the stock if they buy something."

But Bic need not hurry. With the Bich family and related entities controlling more than 40 percent of its shares, management appears immune from predators, even though the stock has under-performed the French market this year.

SAP AG, the German answer to Silicon Valley, reported that it had more than \$600 million in cash on its books and only \$2 million in debt when it filed for its listing on the New York Stock Exchange in August. SAP is the market leader in so-called enterprise software, which are programs that run major portions of computers for big companies.

While SAP may have substantial cash, the amount is minuscule compared with its recent \$61 billion market cap. SAP has the third-highest market capitalization in Germany, after Deutsche Telecom and the insurer Allianz AG. When investors pay 83 times estimated earnings for SAP shares, said Stefan Gruber, an investor relations chief, it "is due to high long-term expectations," not cash in the bank,



Low-Debt Companies, Part I

There are not many investors with substantial experience in deflationary environments: The last time deflation was widely felt was during the Great Depression of the 1930s. In the 1970s and 1980s, when inflation was the driving force, the key to success was using other people's money. Going into debt was a smart thing to do, the money you paid back was worth far less than the cash you borrowed several years earlier.

Times have changed. With prices falling in many parts of the world, money gains value over time instead of depreciating. Borrow \$100 when oil costs \$20 a barrel, and you can buy five barrels of oil. If oil has fallen to \$10 over the life of the loan, that \$100 buys 10 barrels. With lenders still charging interest, not only do debtors pay back more valuable dollars than they borrowed, they get to pay for the privilege.

What does this mean for companies and investors? It seems you would be better off investing in those corporations that do not have any debt, and this seems to be true in much of the world, although not the United States a survey by Money Report correspondents revealed. We present prospects for Europe and Latin

America today.

Part II, with the outlooks for Asia and North America, will appear in next week's Money Report.

Debt-Free, Dollar-Rich in Latin America

By Aline Sullivan

TAYING COOL as Latin America heats up should be as simple as waving a fan: stick with the companies that have substantial dollar earnings and little or no dollar debt.

Investing is rarely simple, of course. For most investors, Latin America remains worrisome, despite President Bill Clinton's pledge this week to back up the region's economies. Columbia and Ecuador recently devalued their currencies and Venezuela is likely to be next. Investors in Brazil, where interest rates have soared as the government battles to preserve the value of the country's currency, the real, following huge capital outflows, are holding their

But in Latin America, public squalor can mask surprising caches of private splendor. Many companies earn substantial portions of their sales in dollars. and many now have significant cash holdings. Currency devaluations are bad news for the region's economies in general — burdened as most Latin American countries are by huge foreign debts that become more expensive as their home currencies depreciate — but are at worst a mixed blessing for its most financially fit companies.

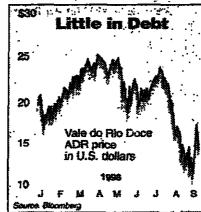
"Brazilian stocks in particular have very low debt," said Stephen Rose, managing director of UBB Capital Markets Ltd. in London, a subsidiary of Union Banco of Brazil. "Companies such as the mineral iron ore exporter Cia Vale do Rio Doce have nothing to lose if the real devalues because it owes very little and makes most of its money in

The Brazilian paper company Aracruz Celulose SA similarly has almost all dollar revenue, he said. Mr. Rose said he did not expect Brazil to devalue its

There are other reasons to invest in the region. Some investors are betting that the U.S. Treasury will, in the words of the Salomon Smith Barney analyst Jim Barrineau, draw a line in the sand at Brazil. After all, Latin America accounts for a fifth of U.S. exports. Brazil alone owes U.S. banks \$27 billion. Like the Mexican crisis in 1995, economic turmoil in Brazil is hitting just too close to home.

That is why some investors are betting that a U.S.-led rescue package will be in place before Brazil's general election on Oct. 4, boosting the re-election chances of President Fernando Henrique Cardoso. His promise of signifcant structural fiscal reforms makes him more appealing to most investors than his leading opponent, Luiz Inacio da Silva of the leftist Workers Party.

A recent poll of 3,000 people carried by the Ibope polling firm found that 47 percent of voters would back Mr. Cardoso if elections were held now, up from



44 percent who said they would vote for him in late August.

"The risk of being out of Brazil is up." Mr. Barrineau said. "Investors who couldn't wait to reduce their holdings a week ago should begin to re-

Stocks have been beaten down so low that they are certain to shoot up if investor perception of risk declines, he said, adding, "Fear can turn to greed in an awful hurry.

Mr. Barrineau recommended buying shares in Brazil's Eletropaulo Metropolitana SA. Telecomunicações do Parana SA, known as Telepar, and Cia. Energetica de Sao Paulo, Brazil's largest utility. He also cited two Mexican companies, Grupo Financiero Bancomer SA and the retailer Grupo Elektra SA, as good "value picks."

Grupo Elektra announced on Sept.. 11 that it had reconsidered its ambitious expansion plan in light of current global economic conditions. It will now cut capital expenditure plans to \$40 million for next year, down from a planned \$100 million announced just a few months ago, and will open only 85 new stores in Mexico and Central America in 1999. instead of 170.

The company also said it would lay off an unspecified number of personnel, cut executives' salaries by 10 percent and refrain from taking out any new

Other analysts named big Mexican companies such as Telefonos de Mexico SA, the cement maker Cemex SA and Grupo Televisa SA as strong, cash-rich companies able to weather the current turbulent markets.

Indeed, Mexico may prove to be the region's best bet. The currency has rates have soared to almost 40 percent, but Mexico is nevertheless in the best shape of the Latin American markets. Its budget deficit of 1,25 percent of gross domestic product compares well with Brazil's 7 percent.

More importantly, its membership in the North American Free Trade Agreement allows the country free access to the U.S. market as its own market loses steam. The companies with little or none of Mexico's \$4.3 billion in corporate foreign currency debt are unquestionably the best placed to exploit this ac-

In Argentina and Chile, investors are again testing the waters. But they are concentrating on just the largest, most liquid stocks: YPF SA, the oil company. and Banco Bansud SA, are the top picks in Argentina, while Cia de Telecomunicaciones de Chile SA, known as CTC,

is a favorite in Chile. Investors are even more cautious in the smaller markets, agreeing perhaps with the pessimism of the J.P. Morgan & Co. analyst Bill Contente.

"It doesn't make a blind bit of difference if some comparies are making gold out of water in Latin America," he said. "No one is going to buy their stock

Be that as it may for many companies in the region. But those whose coffers are already stocked with gold, or at least cash, the outlook is far more prom-

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"High-quality assets at bar-gain-basement price." It sounds like an advertisement shouldn't buy, but in fact, it is Merrill Lynch & Co.'s report

broker. They come in denominations Although there is no guarantee that, if you sell these bonds before maturity, you will get what you paid for them, your risk is far lower than with regular chemont was formed in 1988, Assume you buy a conventional

when Rembrandt Group of bond yielding 5 percent and inflation South Africa spun off its injumps sharply next year. Newly issued ternational operations. A furbonds will be yielding 6 percent, so, in order to sell your old bond, which pavs one percentage point less, you will International PLC, the fourthhave to offer buyers a discount. Inlargest tobacco company in the world, and Vendome Luxury stead of receiving \$1,000, you might Group, which owns such brands as Cartier, Dunhill, With an inflation-indexed bond, this Mont Blanc, Piaget, Karl Lagerfeld, Sulka and Chloe. scenario is extremely unlikely. Unless

investors demand a sharply higher real rate, the price should not change much from the original \$1,000. Even if you plan to hold your conventional bond to maturity, inflation can be a killer. Imagine buying a 30-year bond today that yields 5.16 and finding inflation at 7 percent in a few years. Washington Post Service & Hardart, a food retailer.

NFLATION-PROTECTED BONDS can be perchased by calling Transpary Direct at 1 202 874 4000, or on the Web nite, www.ppbhcdete.treas.gov; as Anterican bunk account is nec-

gain of about 15 percent during a period when the Swiss Market

Index nearly quadrupled. The sum of those parts, the for something you probably and Edouard de Boisgelin said this week, is worth 2,656 francs on Compagnie Financiere Ri-chemont AG, and the broker- a participation certificate. The age house is definitely bullish. B units, which represent just over 9 percent of the equity, The Switzerland-based Ri-

have half the votes. The Rupert family owns the B units. ther reorganization in July 1993 discount borne by holding Asia than competitors who put it in control of Rothmans companies to get a 2,125 franc cater to the merely affluent. 12-month price target, an increase of about 24 percent from the current level. What does Merrill see in

The company also has a 15 ing five years, after a possible earnings in about two years. percent stake in Canal Plus near-term disruption from the SA, the French cable com- global financial crisis, and the ny, and it owns just under analysts said "the company half of Hanover Direct Inc., an appears to be becoming more positary receipts trade in American direct-marketing shareholder friendly and incompany that used to be Horn creasingly transparent." Merrill sees a change in the

Its stock has been a mediocre composition of the comperformer since that reorgan-ization, when it traded at 1,370 tobacco accounts for about 68 are moving from South Africa Swiss francs (\$992), On Friday, percent of sales and 77 per- to the Continent.

it changed hands at 1,620, a cent of profit, while luxury goods make up the rest. Rothmans, however, is pro-

jected to show profit growth of 6.5 percent in the coming Mertill analysts Jonathan Fell five years. One attractive facet of the company, in which Rembrandt directly holds a 33 per class A unit, which twins a percent stake, is that it "has ations, which include the Rothmans, Dunhill and Peter Stuyvesant brands.

Vendome's luxury goods Merrill takes 20 percent off are so high-end that it is less its valuation to account for the susceptible to the problems in the Merrill analysts said.

So Vendome is expected to account for an increasingly large part of the earnings pie. Richemont? For one thing, it is Meanwhile, Merrill said the predicting earnings growth of Canal Plus investment is ex-13 percent a year in the com- pected to start contributing to

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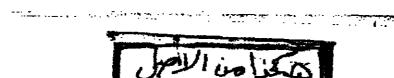
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Herald Cribune **SPORTS**

Woosnam Leads

GOLF Ian Woosnam edged toward his first European Tour victory of 1998 on Friday, firing a 4under-par 67 to take a two-shot lead in the second round of the Lancome Saint-Nom-La-Trophy in Breteche, France.

Beginning the day at 3-under par, the Welshman shot six birdies and two bogeys to end the round at 7-under 135. Visitors to the par-71 course west of Paris also saw a fine round of 68 carded by a Spanish amateur, Sergio Garcia.

The defending champion, Mark O'Meara of the United States, stormed back with four successive birdies after a double bogey on the 4th to end the day at 5-under 137. Also at 5-under was Colin Montgomerie of Scotland.

Russian Takes 13th Stage

CYCLING Andrei Zintchenko of Russia gave the Vitalicio Seguros team its first victory of this year's Tour of Spain on Friday, taking the 13th leg after riding alone for nearly 90 kilometers (55 miles).

Abraham Olano of Banesto remained the overall leader, with Laurent Jalabert of France and the ONCE-Deutsche Bank team in second place. Fernando Escartin of Spain and the Kelme Costa-Blanca

team, was in third place.

Zintchenko took 5 hours 7 minutes 12 seconds to cover the 208-kilometer trek that began and ended in the northern town of Sabinanigo. Second place in the stage went to Ludo Dierckxens of Lotto-Mobistar. Unai Etxebarria of Euskatel-Euskadi was third.

U.S. Ahead in Solheim

GOLF Juli Inkster nearly aced the 16th hole, and Dottie Pepper followed by tapping in a short birdie putt to get the United States off to a 3-1 lead over Europe after Friday's morning matches at the Solbeim Cup in Dublia, Ohio.

Pepper and Inkster led by four holes at the turn, but the European team of Laura Davies and Trish Johnson narrowed the deficit to one with a birdie at the 15th.

Benefit for Beaten Officer

SOCCER Former international soccer stars from France and Germany are set to face off on Sunday many, in a benefit game for a French policeman who is still recovering from being beaten unconscious by hooligans during the World Cup. Five German soccer fans remain in custody - one in France and four in Germany — on charges of attacking Daniel Nivel with an iron bar on June 21 after a match between Germany and Yugoslavia in Lens, France. (AP)

WORLD ROUNDUP Dolphins Set to Give **Steelers Runaround**

Lions Rookie Faces Big Test Against Vikings

By Mike Freeman New York Times Service

Steelers (2-0) at Dolphins (2-0) This will be an intriguing matchup Sunday because it pairs two of the best coaches - Miami's Jimmy Johnson and Pittsburgh's Bill Cowher — in football. The consumption of coffee has shot up in both cities all this week as coaches stay up all night trying to figure out how to stop two superstar quarterbacks in Dan

NFL MATCHUPS

Marino and Kordell Stewart. That is key, but the edge in this game goes to the Dolphins because they're at home and they have the better running game. Karim Abdul-Jabbar has 183 yards rushing on 41 carries. Prediction: Dolphins, 21-17.

Lions (0-2) at Vikings (2-0) That knocking sound you hear are the knees of Detroit's rookie quarterback, Charlie Batch, who will get the start over the beleaguered veteran, Scott Mitchell. Last week Mitchell threw two killer interceptions that basically lost the game for the Lions. Afterward, teammates ripped into Mitchell and that forced Ross to make the change. But a rookie against a great Vikings pass rush? This could be ugly. Vikings, 30-14.

Packers (2-0) at Bengals (1-1) If the Packers are going to have a letdown, this will be the week. Green Bay can't play much better than it has the first two games: the Packers are the only NFC team not to throw an interception, Brett Favre is throwing the ball as well as he ever has and Reggie White last week came back from the dead to have three sacks. This game will be scary for the Pack, though, because Neil O'Donnell, the Bengals quarterback, plays well in situations when there is little pressure on him. It will be close but Favre will be the difference. Packers, 21-17.

coits (0-2) at Jots (0-2) The Jets' quarterback. Glenn Foley, is listed as questionable with a rib injury which means his delicate body is rearing its ugly head again. Meanwhile, the key to this game will be the Jets' defense, which will confuse the Colts' rookie quarterback Peyton Manning so much he won't know what hit him. Jets, 27-6.

Rams (0-2) at Bills (0-2) After his players nearly mutinied last week because practices have been brutal and long, the Rams' coach, Dick Vermeil, relented, will probably play hard because they want to prove that easier practices make for fresher legs in games. Rams, 17-0.

Chargers (2-0) at Chiefs (1-1) When will the magic ride end for the Chargers' first-year quarterback, Ryan Leaf? He is playing like Joe Montana, not some rookie. But this will be Leaf's first dose of NFL reality. Derrick Thomas and friends will batter Leaf like he has never been hit before. Thomas is upset about straight divisional games at home. Gibeing shut down by the Jaguars last

week so look for him to get at least two sacks. Chiefs, 35-17.

Oilers (1-1) at Patriots (1-1) The Oilers just aren't talented enough to beat the Patriots at home, where New England has won 13 of the last 17 games. Quarterback Drew Bledsoe is having a solid season, going 35 of 61 for 507 yards. He looks comfortable and his throws are sharp and accurate. Moreover, Robert Edwards gives the team a consistent running game. Patriots, 30-10.

Ravens (1-1) at Jaguers (2-0) Baltimore is for real this season. But just bow good the Ravens will be depends on what happens in Jacksonville this week. If the Ravens can win, they'll look like a playoff team. A loss doesn't mean they will not make postseasou play but they need to beat Jacksonville to get a jump start. These games have always been close - all four meetings have been decided by three points or less. Because the Baltimore quarterback, Eric Zeier, is good in the fourth quarter, the Ravens will get the upset of the week. Ravens, 24-21.

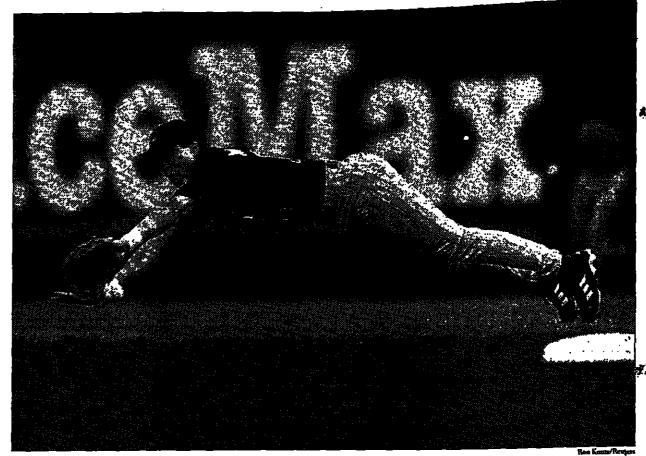
Boars (0-2) at Buccaneers (0-2) Tamos Bay finally comes home to its new, 65,000-seat Raymond James Stadium. So far, the Bucs have been the most disappointing team in the league. They start their rebound with a hard working but bad-luck Bears team. Chicago will play hard all year but because of poor drafting they lack talent and depth. Unless Tampa Bay completely falls apart, they will win big. Buccaneers, 19-3.

Broncos (2-0) at Raiders (1-1) Watch closely the health of John Elway, Denver's superstar quarterback, who is playing with a sore hamstring. Those injuries often take up to a month to fully heal and it could act up at any point during the game. If he stays healthy, Denver wins a close one. Broncos, 24-17.

Redskins (0-2) at Seahawks (2-0) The Redskins are in disarray and the Seahawks are playing like the team many thought they would be last year. They seek their first 3-0 start since 1986. Running back Ricky Watters has 105 yards rushing, wide receiver Joey Galloway has 13 touchdown catches in past 11 games and Seattle's defense has 7 takeaways, tops in the league. Seahawks, 35-10.

Eagles (0-2) at Cardinals (0-2) Ugly. Whichever quarterback makes the fewest mistakes will win. That will probably be Jake Plummer for Arizona. He has thrown nine touchdowns and just four Sun Devil Stadium. Cardinals, 14-13.

Cowboys (1-1) at Giants (1-1) When Troy Aikman went down last week with a broken collarbone, the Cowboys' season went with him. Talk all you want about how Jason Garrett is a solid backup, but he has no chance against a Giants defense that loves to play the Cowboys and will be pumped on Monday night. The Giants have won seven ants, 21-14.



Second baseman Todd Walker of the Twins diving unsuccessfully for a grounder by Joey Cora of the Indians.

3 Long Flyouts as Close as Sosa Gets

SAN DIEGO - Millimeters. That's how close Sammy Sosa came to taking sole possession of the major league home run lead, which he shares now with Mark McGwire.

Sosa, one night removed from driving in six runs and hitting his 63d home run, failed to connect Thursday afternoon, going 0-4 with an eighth-inning walk. By the slightest of margins, he got his bat just under pitches to hit long flyouts three times — instead of homering. He also grounded out.

BASESALL ROUNDUP

Instead, it was a home run by his teammate Gary Gaetti leading off the 10th inning that gave the Chicago Cubs a 4-3 victory at Qualcomm Stadium. Gaetti's 18th home run, off the Padres' relief ace, Trevor Hoffman, was the Cubs' fifth home run of the series, in which each of the four games was decided by a late-inning homer.

The victory extended the Cubs' lead in the National League wild-card race to

Phoenix, Denny Neagle allowed only four hits in six innings to improve to 15-11, making Atlanta the first major league team with five 15-game winners since the 1930 Washington Senators. Tom Glavine tops the Braves with a

19-6 record, Greg Maddux is 17-8, John Smoltz 16-3 and Kevin Millwood 16-

In the American League: Mariners 8, Athletics 0 Ken Griffey Jr. hit his 53d homer, a three-run shot in the cessive save as Boston rallied to beat first inning, and Jamie Moyer pitched a four-hitter as the Mariners beat the Athletics in Oakland.

Griffey's homer, his 11th in the last 23 games, was a drive into the right-field stands that came after Carlos Guil-len and Alex Rodriguez began the game with singles off Tom Candiotti (11-

Indians 9, Twins 1 In Cleveland, Manny Ramirez hit his 43d homer to tie the major league record with six in three He hit three homers Tuesday and two

Wednesday before becoming the seventh player and third American Leaguer to hit six in three games.

His two-run blast in the fourth off

Eric Milton (7-13) gave him six homers in nine at-bats. Ramirez is the first player with six

homers in three games since Philadelphia's Mike Schmidt in 1976. He is the first American League player to doit :: since Gus Zernial of the Philadelphia Athletics in 1951.

Yankses 4, Devil Rays 9 Hideki İrabü nings and Jorge Posada and Bernie Wil-liams homered for visiting New York.

Irabu (12-9) won for the first time since Aug. 10, stopping his four-game losing streak. He gave up an infield single to Aaron Ledesma in the second inning and Randy Winn's bunt single in the third.

Red Sex 3, Orioles 2 Mo Vaughn singled in the go-ahead run in the 10th and Tom Gordon set a major league single-season record with his 39th suc-

host Baltimore.

Donnie Sadler went 3 for 4 with homer for the Red Sox, who increased their lead over Toronto in the wild-card race to five games. Gordon got three outs to break the

consecutive saves record set by Jose Mesa in 1995. He has 42 saves in 42 opportunities this season.

Tigers 7, Blue Jays 4 In Detroit.
Damion Easley hit a three-run homer in a the Tigers' four-run ninth innings. stalling Toronto wild-card drive.

Easley, who also hit a homer in the second, drove Robert Person's pitch off the facing of the second deck in right

Royals 13, White Sox 4 Jose Offerman drove in two runs, stole three bases and hit his major league-leading 13th triple as visiting Kansas City overcame Albert Belle's 47th homer to beat Chicago.

field. He has 24 homers.

gers 7, Angels & Tom Goodwin doubled in pinch-runner Milt Cuyler in the eighth inning, completing Texas's 7-6 comeback victory over visiting Anaheim to put the Rangers atop the the first time since Aug. 13.

The Angels, who had led the division since Aug. 14 and were up by four games on Aug. 26, finished their road trip 1-6. Both teams have 10 games remaining

John Wetteland capped a game-saving performance by the Texas bullpen by getting the final three outs for his club-record 41st save. Tim Crabtree (6-5) 1) pitched four hitless innings to pick up the victory. (NYT, AP)

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(8), F. Herwilla (9), Back (10) and Houston;
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Micell (9), Hoffman (10) and G. Miyers, C.
Hermondez (8), W.-F. Herwilla 3-3,
L.—Hoffman 4-2, Sv.—Beck (49),
HRS—Chicago, Morandial (8), Goelil (10),
San Diego, Gwynn (14),
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Neogie, De.Martinez (7), Roctaer (8),
Lighenberg (9) and Editanet, W.—Neogie 15-11,
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NATIONAL LEAGUE

JAPANESE LEAGUES

CYCLING

TOUR OF SPAIN Leading placings Priday in 208- kilometer (130-mile) 13th stage to and from Sabinanigo: 1. Andrel Zintchenko, Russic, Vitolicio, 5

(100-mile) 12th stage to and from Sabinarajor:

1. Andred Zintchenion, Russia, Vibrilicia, 5
hours 7 minutes and 12 seconds

2. Lade Oberclacers, Belg., Latte of 2 min. 20

3. Unai Eberbarria, Venez., Euskeffel, a.t.

4. Moron Serpatira, Italy, Breschiot, a.t.

5. Jean C. Domingoue, 5p., Vitalicia of 225

6. Alexandre Moos, Switzerland, Soeco 3:29

7. Folartio Geid. Italy, Polif 3:39

8. Bert Dietz, Germany, Telelona, a.t.

9. Pater van Pelayerin, Belghan, TVM, s.t.

10. Fotbrio Geogot, Franca, Casionat.

overskalla, 1. Abrohum Olona, Spoin, Bonesto, 571, 38 min. and 27 sec.; 2. Lourent Jolobart, Franco, ONCE of 35 sec.; 3. Fernando Escarán, Spoin, Kalmé 51; 4. Jose Mario Limenze, Spoin, Kalmé 51; 4. Jose Mario Limenze, Spoin, Kalmé 51; 4. Jose Mario Limenze, Spoin, Banesto 1:17; 5.

Oartiel Circum, Spoin, Vitalicia Segurus 201; 4. Alvaro Goldearo, Spoin, Escaránt 209; 7. Alex Zuelle, Switzerland, Lotes 2:49; 8. Roberto Herrus, Spoin, Kelme 2:24; 9. Lance Ansstrong, U.S., U.S. Postel 2:49; 10. Oscar Camenziand, Switzerland, Miopel 2:47;

RUGBY UNION WORLD COP QUALIFYING FREDAY IN SYLMEY Australic 66. Fit 20 Western Samoa 28. Tanga 20

TENNIS PRESIDENT'S OFF FREDAY IN TASHIC

FRIDAY IN TABHICENT
CULARTERSHIALE
Yevgeny Kasienikov (1), Russic, def.
Goston Erlig, Angentino, 6-3, 3-6, 6-1.
Tim Heneram (2), Britain, def. Steiano
Pescosolida, Italy, 6-4, 6-4.
Nicolos Escude (4), France, def. Karsten
Brasch, Germany, 6-4, 7-6 (7-5).
Cadric Pioline (3), France, def. Marat Safin
(6), Russic, 6-7 (3-7), 6-2, 7-6 (7-3).

Socialization of the second

SOURIEMONTE OPER FRIDAY IN BOURIEMOUTH, BIGLAND FRIDAY & SOURGEMOUTH, BYGLARD CHARTRIPHINALS
Molti-Kavin Goeliner, Germany, ded. Alberto Berosadegui (1), Spain, 6-4, 6-3.
Vincenzo Sustopadre, Ihaly, def. Alex Lopez-Maren, Spain, 6-3, 6-3.
Albert Casto (2), Spain, def. Arroad Clement (8), Franca 4-6, 6-3, 7-6 (7-2).
Felix Mantilla (3), Spain, def. Stefan Koubek, Austria, 6-7 (6-8) 6-4 6-4

CHARTERFRALS
Francisco Cinvet (1), Sp., def. Julian
Alacso (8), Sp., 7-5, 6-0; Albert Portus, Sp.,
def. Andrel Parel, Rom., 2-6, 6-3, 7-5.
Annaud Di Pasquole, France, def. Golo
Bloraco, Spoin, 7-6 (7-2), 2-6-6-2.
Adrian Volnes, Romonia, def. Emilio Al-

SOCCER CUP WINNERS CUP

THURSDAY RESULTS
FROM BOUND, MILEY LISE
Apollon Limensol. Cyp., 2. Jobbonec. Crech R. 1
Besildos. Turk., 3. Spurtok Trnovo. Slovekio. 0

Cheisea. Emplorid. 1, Ljelsingborg, Sweden, CSCA Klev G, Lokognotiv Magcow. 2
Duisberg, Germany, J. Gent, Belgfam, 1
Hearts, Scotland. Q, Akajorca, Spain. 1
Heavenveen. Neffs., 3. Amica Wronko, Pol.
Lozia, Haly, 1, Lossanne, Switzerland, T
Lovski Sofia, Q. Copenhopen. 2
Akadalarna. Leonal. J E. D. Brevs, Port. 0 Lorsic, Haty, 1, Lossamm, symmetric Sofia, 9. Copenhogen, 2
Association of the Copenhogen, 2
Association of the Copenhogen, 2
Newcostie U., Eng., 2, Portizon, Yeg., 1
Casere, 2, Hoke, Flekend, 0 Newcossie U. Esig. 7. Parisott, 199, 1 Pasiantos, Greece, 2. Halsa, Flatand, 0 P.S.G. Fr., 1, Maccabi Halfe, Isr., 1 Ropid Bacharest, Rom. 2. Valenoga, Nor., 2 Red. Austral, 2. MTK Bridgest, Hungary, 0 Rudor Vetenja, Skvenic, 2. Variets, Cro., 2

DATES LINEAR SOCIETY

TRANSITIONS PASEBALL AMERICAN LEAGUE

AM-Suspended Convicted SS Omer Vizgoel for 2 days and fined bim \$500 for attempting to charge mound and precipiting bench dear-ing incident during Sept. 13 game.

ANAMENT—PROLLED C Ben Malina from Newspetters (No. 179 Mer of the PCL

TAMPA BAY—Transferred OF Dave Mar-nez from 15-day to 60-day disabled list. NATIONAL LEAGUE ATLANTA—Activated OF Dunny Bautista isabled list. Igned OF Covey Patterson. NATIONAL BANKETBALL ASSO

POOTBALL NATIONAL POSTBALL LEAGUE PHILADELPHIA—Signed DT Edward Jasperto 2-year contract. Signed TE Kaseera Sincero from practice squad.

THE WEEK AHEAD SATURDAY, SEPT. 19

ATHLETICA, Tokyo — 98 Toko Internerional Super meet.

CYCS...stat., Madrid. Spain — Tour of Spain,
to Sept. 27.

AABRES, Kucho Lumpur, Madaysia —
Commonweelill Games, to Sept. 21.

AOU.F. Ports — Loncome Trophy, to Sept. 20;
Sappora, Japan — ANA Open, to Sept. 20;
Indicati, New York— B.C. Open, to Sept. 20;
Indice. Jopan — Yorkitashi Ladies Tokaf
Classic, to Sept. 20; Dublin, Othio — women,
Schlein Cup, to Sept. 20; Massac, Ohio —
men, seniors. Knoger Classic, to Sept. 20.

Molesse Raccisso, Carrogh, Ireland — Irlet St. Leger.

SURSO, Tokyo — Aurbana Grand Sumo
Surso, Tokyo — Aurbana Grand Sumo
Tournement fo Sept. 27.
***TRUMENS. Geneva. Switzerfornd — Fed Cup
Final. Switzerfornd vs. Spain. to Sept. 20.
Boctonyest. Romanda — Romanda Open. to
Sept. 28. Boctonyest. England — Samsung Bacharest, Romanta — Romantan Open, to Sept. 20: Boursemouth, England — Samsung Open, to Sept. 20: Manhella, Spain — Marhella Open, to Sept. 20: Toshkent, Uzhekistan — President's Cap, to Sept. 20: Sept. Sopti Korea — women, Samsung Open, to Sept. 20: Paris — sentors, Tour of Champions, to Sept. 20.

SUNDAY, SEPT 20 MOYONCYCLING, Barcalong, Spain — Calphanya Grand Patr.

MONDAY, SEPT. 21 Teners, Tokyo, Japan — women, Toyota Princess Cup, to Sept. 27. TUESDAY, SEPT. 22

RUGBY UMON, World Cop. qualitying: ustralia vs. Tonga, Fiji Western Samoa. THURSDAY, SEPT. 24

ing Classic, to Sept. 27. FRIDAY, SEPT. 25

GOLF, Kurokowa, Japan — Miyogi TV Cup odies, to Sept 27; Asgusta, Missouri — se-ots, Boone Volley Classic, to Sept 27.— Transme, Davis Cup matches: World roup, seminates American Zone Group I, 38-und playofts: Asio-Ocumio Zone Group I, 38-annual playofts: Asio-Ocumio Zone Group I, normal playoffs: Euro-African Zone Group id-round playoffs: Euro-African Zone Group id-round playoffs: American Zone Group! id: Asia-Oceania Zone Group!! finat: Euro African Zone Group IL final, to Sept. 27. SATURDAY, SEPT. 26

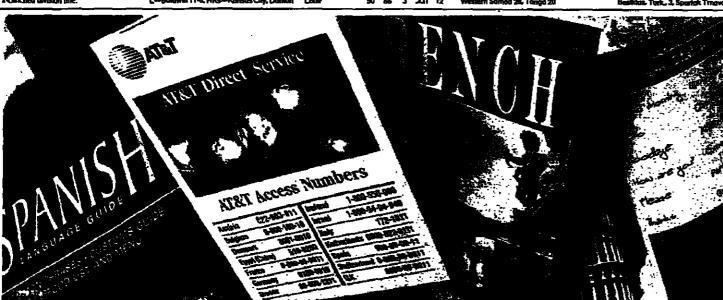
SUNDAY, SEPT. 27

ATHLETTOS, Switzerland — World Half Agration Chambionships Morothon Championships.

Australia. New York — U.S. Major League. Recharge. Spain — U.S. Cup Mexico vs. Russic, United States vs. 28.

Morothon Championships.

Australia. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Recharge vs. Communication. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Communication. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Recharge vs. Communication. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Recharge vs. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Recharge vs. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Recharge vs. Recharge vs. New York — U.S. Major Leagues Basebat, final day regular season. Recharge vs. Recharge v



(now you're talking)

it's all within your reach.



SPORTS

A General to High School Soldiers

AKE OSWEGO, Oregon — He pulled himself out of bed at 1 A.M. and put on his clothes. Then Mike Coulson woke up his wife and asked her to drive him to the hospital. "She said, 'What are you talking about?' he says. "It's funny, but it took me awhile to convince her that something was wrong."

At the hospital, stretched across a padded table, he looked up and saw the Teadings of his heart going haywire.

The doctor told my wife, Your has-Land is one of the luckiest persons I've Pover been around — he's having his heart attack right now at the hospital instead of having it at home, '" Coulson says.

He celebrated his 46th birthday just a

few hours before suffering the heart attack. Within three days he was undergoing surgery on a blocked artery. After five days in the hospital, he went to football practice. Conison is a high school football coach.

. High school football is one of America's larger causes. By Coulson's fig-uring, there are about 280 high school football teams in Oregon, a state of only 2 million people. Each team is an outfit of teenage soldiers, representing their school each weekend of fall against neighboring districts and towns. Some towns cheer for their team more seriously than others.

Lake Oswego, a suburb of Portland, is probably the richest town in Oregon.
Many players of the NBA's Portland Trail Blazers live in the town. The football team at Lakeridge High School won the state championship in 1987, a year before Mike Coulson arrived as the new head football coach. He has won 68 of the

In America/IAN THOMSEN

100 games he has coached at Lakeridge, but he has not won the state title. "Most of the kids at this school expect

to go to college," Coulson says. that expectation comes a work ethic and a willingness to get the job done."

Success is created by —and achieved in spite of — local pressures. In 1994, after Lakeridge lost the opening game of the season, a minority of highly motivated parents campaigned to run Coulson out of his job. In fact, his team didn't lose another game that season until the semifinals of the state championship, when Lakeridge was beaten in the fifth period of overtime.

When Coulson rushed back to work in August 1997, a few days after his heart attack, he was pushed not by the ambitions of his community but by ambitions and loyalties of his own, fueled by the warlike mythology of American

As their general, in a way, he expected himself to set an example for his young soldiers. How could he ask his players to keep fighting despite pain and injury if he was unwilling to do so himself? His wife and three daughters held a different point of view. The cause of

winning a football game is artificial, they argued, compared to the risk of losing a husband and a father.
"That was a tough one for me to

separate," Conison admits. "The most important things in my life are my wife and family. But I played football for 12 years and had been coaching it for 24 years, and it was a huge part of my life, a huge part of the success of my life. It

was hard for me to separate the one from the other.'

He and his wife, Diane, reached a compromise. He will coach this season and next, and then he will retire from football at the age of 48. Meanwhile, he is doing everything he can do to remain calm in a sport that tends to get carried

away with itself, even in high school. Never once from his self-imposed distance will he criticize the way he used to behave - like one of those coaches on American television, hollering both complaints and congratulations as if shouting to be heard over the mortars and the gunfire. All the same, his primary goal now is to keep the stress in perspective, to not let it get the best of him or his team.

"I'm on a medication, a calming medication, and it's made a difference he says. "I'm kind of at a philosophical point now. I tell the players, 'For you on Friday night at 7 o'clock, football should be the most important thing. But at 10 o'clock it shouldn't be. On Sundays it shouldn't be. It needs to be extremely important to you while it's going on, but at other times other things should be more important."

He is slim with thick brown hair and a bushy mustache, an easy laugh and a tan left over from the summer. If you didn't know about his heart attack, you would say that Mike Coulson is one of the healthiest looking people you ever

Ian Thomsen is a senior writer for Sports Illustrated magazine.



Iwan Thomas of Wales, right, edging out Mark Richardson of England, second from left, to win the Commonwealth Games 400-meter gold medal. Sugath Thilakaratne of Sri Lanka, third from right, took bronze.

Thomas Dashes to Gold and Record

The Associated Press

KUALA LUMPUR — Iwan Thomas left his Welsh teammate, Jamie Baulch, trailing in fourth and charged to the Commonwealth Games 400-meter gold medal in a Games record time Friday to add the title to last month's European Championship triumph.

The tall Welshman turned on the ower with 80 meters to go to take the fitle in 44.52 seconds.

England's Mark Richardson took the silver in 44.60 and Sugath Thilakarame of Sri Lanka caught the fading Baulch to take the bronze in 44.64. Thomas's time bettered the 44.60 of Australia's Darren Clark, set eight years ago at Auckland, and his latest triumph came a week after he also won the 400-meter title at the World Cup in Johannesburg.

Baulch flopped on the track after his loss and was later helped up by his Welsh teammate.

In other events Friday, the defending champion in the women's shot put, Judy Oakes, gained a medal for the sixth Commonwealth Games in a row, winning her third gold. The 40-year-old English athlete heaved 18.83 meters with her first throw to virtually put herself out of reach of the other seven competitors. Second-place Myrtle Augee made it an English 1-2 but was 1.67 meters short of Oakes's effort. South Africa's Johanna Abrahamse captured the bronze with a best of 16.52.

For Oakes, Friday's triumph made it three golds, two silvers and a bronze since she made her Games debut at Edmonton in 1978. She won a bronze there, gold in Brisbane in '82, silver at Ed-

inburgh in '86 and Auckland '90 and gold at Victoria. British Columbia, four years ago. She is the only track and field athlete to win a medal at six Games in a row.

In the women's 400 meters, Sandie Richards of Jamaica finally collected a gold. She was a bronze medalist in the event four years ago and world championship runner-up in 1997. She set a Garnes record of 50.17 seconds to run clear of Scotland's Alison Curbishley, 50.71, and England's Donna Fraser at

COMMONWEALTH GAMES

51.01. In the men's decathlon, two-time defending champion Mike Smith of Canada was beaten by two Australians. Jagan Hames totaled 8,490 points to beat his countryman Scott Ferrier by 183 points. Smith, who was well behind throughout the 10 disciplines, scored 8,143, well short of his best of 8,626.

Hames's triumph meant that Australia, which has dominated the Games with 59 golds, had the most in the track stadium with five. England has four. Onichie Achike gained another gold

for England with a games record in the triple jump while Stuart Rendell captured Australia's third hammer title in a row, and Andrea Blackett of Barbados also set a games mark to win the women's 400-meter humles.

With the triple-jump world record holder Jonathan Edwards not at the Games because of a foot operation, Achike and Julian Golley were England's big hopes.

Achike opened with a leap of 16.98 to take the lead and came up with his record 17.10 in round four. His four

other attempts were no jumps. Andrew Ownsu of Ghana collected silver with 17.03, Remmy Limo gained the bronze with 16.89 and Golley, who was favored to win in Edwards's absence, failed to medal in fourth with 16.83.

In the women's 400 meter hurdles, In the women's soo make and Blackett clocked 53.91 seconds, pulling Fnoland's Gowry away from England's Gowry Retchakan-Hodge, who clocked 55.25, and Karlene Houghton of Canada, who had 55.53. Blackett's time beat the 54.51 run by former Olympic champion Sally Gunnell at Victoria four years ago.

Rendell threw 74.71 meters to capre Australia's second hammer gold following Debbie Sosimenko's victory in the women's event.

England's Michael Jones placed second with 74.02 and South Africa's Chris Harmse took the bronze with a best heave of 72.83. Rendell, who succeeds two-time winner Sean Carlin, had the best three throws of the final.

■ Boxer Makes Final Again

Defending champion Mark Simmons of Canada recovered from two 8-counts in the first round and a 10-6 deficit in the third to defeat Kevin Evans of Wales in a heavyweight semifinal at the Games.

Five other Canadians, including four defending champs, also moved to the finals while Australia suffered its worst day at the ring: all four boxers lost.

Simmons, a physical sciences student at York University, Toronto, said he was aware he was behind Evans but did not know by how much. Simmons, 24, will fight the final with Roland Raforme of Seychelles who beat Garth Da Silva of New Zealand in the other semifinal,

Tyson Not Hopeful of Reinstatement

By Timothy W. Smith

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LAS VEGAS — Like a politician who is trailing in a campaign a few days before an election, Mike Tyson made a public appearance at a huncheon to honor Governor Robert Miller of Nevada and Elias Ghanem, the chairman of the Nevada State Athletic Commission, at Caesars Palace.

Tyson will appear before the commission Saturday in a public hearing on his application for the reinstatement of his boxing license. All commission members except one was at the luncheon Thursday. But while Tyson shook hands with the commissioners and signed autographs for fans, he was not optimistic about his chances of regaining his license.

"I'm not very encouraged," Tyson said when asked whether he thought he would be reinstated.

Tyson refused to discuss the matter in depth. Two commissioners, James Nave and Glen Carano, also refused to discuss the details. Nave said he "never gave it a thought' that Tyson was at the luncheon. But Nave said he would question

Tyson extensively about an incident in Gaithersburg, Maryland, on Aug. 31 in which two men said Tyson assaulted them after a minor traffic accident. Tyson has been charged with two counts of misdemeanor assault. Nave said the commission hearing would be

Tyson's license was revoked July! 1997, after he bit Evander Holyfield on both ears during a heavyweight

championship fight in Las Vegas on June 29, 1997. Shelly Finkel, Tyson's adviser, said

Tyson had not assaulted the two men, reported to be aged 50 and 62, after the Maryland accident. Finkel also said the misdemeanor charges should have no bearing on the former heavyweight champion's chances of getting his license back Finkel said Tyson would not use as

many character witnesses as he did for a hearing in New Jersey, where he first sought reinstatement before withdrawing his application. Finkel said Tyson was having financial difficulties because he had not been able to fight in a year.

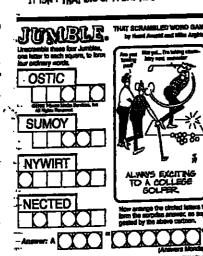
The Internal Revenue Service has placed a \$6.3 million lien on Tyson's 61-room mansion in Connecticut.

ON THE FLOOR.

DENNIS THE MENACE



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International Association of Business Communicators European Conference, October 1-3, Brusse sponsored by 545 For more information contact: IABC in Belgium Tel: (32 2) 774 96 11 Fax: (32 2) 774 96 90







NO, I UNDERSTAND. GET WELL SOON

CHURCH?



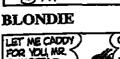


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WIZARD of ID



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MIAM — My wife mentioned, casually, that she had been talking to a friend's son, Alexander, about his coming fourth birthday. "Alexander says he's having a Batman party," she said.
"Hm," I said.

"So I told him that maybe Batman would come to the ' my wife said.

My wife just looked at me. Suddenly, I knew who was going

I was not totally opposed. It seemed to me that Batman had a pretty neat life, disguised as wealthy playboy Bruce Wayne, waiting for the police commissioner of Gotham City to shine the Bat Signal onto the clouds (it was always a cloudy night when they needed Batman). Then Bruce would change instantly into his Batman costume and roar off in the Batmobile to do battle with the Forces of Evil or attend a birthday party.

Of course, Bruce owned his own Batman costume. I had to rent mine. It consisted of numerous black rubber pieces, similar to automobile floor mats, with strings so you could the them to your body. One piece was shaped like rippling chest muscles, so you could transform yourself, like magic, from a flabby weakling into a flabby weakling wearing an automobile floor mat. It took me a long time to get into this costume, but finally I was ready to speak the words that strike fear into the

hearts of criminals everywhere: "Michelle, could you the my G-string?" It turns out that a key part of the Bahman costume is this triangular floor mat piece that protects the Bat Region, It's very difficult to attach this piece to yourself without help, which

It was always a cloudy night when they needed Batman.

could explain why Batman hooked up with Robin.

At last I was ready. In full Bat regalia, I stepped out of the house, and -as crazy as this may sound - for the first time I truly understood, as only a crusader for justice can understand. why people do not wear heavy black rubber outfits in South Florida in August Staggering through the armor-piercing sunshine and 384 percent humidity, I made it to the Balmobile, which was disguised as a wealthy playboy Toyota Celica.

When we got to Alexander's house, in accordance with our Bat Plan, I remained outside in the Batmobile while Michelle went to the back yard. We had bought Alexander a Batman walkie-talkie set; Michelle gave Alexander one unit and told him to use it to call Batman. These Batman walkie-talkies contain actual transistors, so when Alexander called me, I was able to hear, on the other unit, clear as a bell, a random bunch of static. Interpreting this as the Bat Signal, I pulled the rubber Bat Cowl over my head, thus rendering myself legally blind, and drove the Toyota Batmobile into the back yard.

The effect on the party guests, as you would expect, was electrifying. With all eyes upon me, eventually I was able to disentangle my cape and stride in a manly, rubberized way over to the birthday boy.

"Happy birthday, Alexander!" I said, using a deep Bat Voice. After that the conversation lagged, because, let's be honest, what are you going to talk to Batman about? The

pennant races?

So we just stood there for a

I was able to stride in a manly, rubberized way to the birthday boy.

while, with Alexander staring at me, and me trying to look manly and calm despite the fact that after 30 seconds in the sun I could have fried an egg on top of my cowl.

Finally the cake arrived, and everybody sang "Happy Birthday," and I announced that I had to go fight crime. Striding back to the Batmobile, I opened the car door, turned dramatically toward the youngsters and said, quote, "BWEEPBWEEPBWEEPBWEEP"." Actually, it was the Batmobile that said this, because I had forgotten to deactivate the Bat Alarm. I climbed into the front seat, slammed the door with several inches of cape sticking out the bottom, and backed manfully and blindly into the street. Fortunately there was nothing in my way, because I would definitely have hit it, and the law would not have been on my side. ("Mr. Barry, backed your car over the plaintiff.")

The next day, Alexander's mom reported that the first thing he did when he woke up was turn on his walkie-talkie and call Batman. He said he could hear Batman, but Batman couldn't hear him because he was busy fighting evil supercriminals named Poison Ivy and Mr. Freeze. This was almost true: Batman was actually battling Heat Rash. So he will be out of visit Alexander - and I have made this very clear to Michelle - will definitely be Cat Woman.

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Seduction and Bliss in Normandy's Eden

By R.W. Apple Jr.
New York Times Service

SAINT-CYR-DU-RONCERAY, France — Normandy is so close to Paris that wise guys sometimes call it the 21st arrondissement. Which no doubt explains why, in the old days, Calvados, or apple brandy, was the capital's favorite tipple. To a degree, it still is - not so much in the grand hotels and the restaurants showered with stars, but in the bars, bistros and brasseries frequented by ordinary folk.

Calvados resembles the applejack beloved by old-time Yankees, but at its best, after careful aging in wood, it has far greater finesse. The art lies in taming the fire of the newly distilled spirit without losing the distinctive taste of the fruit. Some inferior Calvados is aggressive; some is smooth enough but might have been made of potatoes

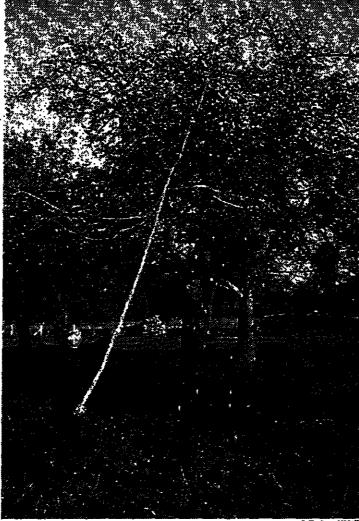
or grapes instead of apples. Calvados has never achieved the renown or aristocratic aura of Cognac. But no less eminent a figure than Marcel Proust, who spent many seaside holidays at Cabourg on the Norman coast, vouched for it in "Remembrance of Things Past."

And the American journalist A.J. Liebling, a more dedicated eater and drinker than Proust, had this to say, in "Normandy Revisited," about Calvados and its ways:

"I have never wavered in my belief that old Calvados has a more agreeable bouquet, a warmer touch to the heart and a more outgoing personality than Cognac. It is less precocious, but that is only a confirmation of its more profound character. The barrel of Calvados laid down at an infant's birth matures with him; he is unlikely to need it until he is at least 11, and by that time it will be passable. If the boy is to drink Calvados at its best, however, it is better to lay down several barrels, so he will still have These are sluggers, not boxers.

But small-fries persist. One of the

For centuries, Calvados was a farmhouse product, handmade by many others, the big boys are taking Sainte-Foy-de-Montgommery.



Gathering apples in an orchard in the Pays d'Auge of Normandy.

over. Mass-produced brands like Busnel, Boulard and Pere Magloire account for the bulk of the 11 million bottles sold annually. Most of this Calvados is young and unsubtle.

best is Marc de Lesdain, a convivial, red-faced farmer who has been dispeasants, but in this field as in so tilling since 1959 in the hamlet of

To find de Lesdain, you have to cross the railroad tracks and the Vie River and look out for a charming half-timbered house and barn on your left. That's where he produces,

for a mainly regional clientele, in his own still and with the apples from his 10 acres of trees, a smoky, fruity, perfectly balanced 15-year-old Calvados that is 45 percent alcohol, a

"You must learn to taste before you distill," he said this summer, sitting at a long table and offering tempting topaz-hued tastes from a cluster of bottles. "You have to know how to tell when the fruit is too ripe, when the blend is WIONE, how to correct the faults. Every batch through the still has a personality. Now, industrialists run everything, with their technicians and their laboratories. In the alcohol factories, nothing is ever really bad, nothing is ever really good,

Calvados demands a certain deference on the part of the consumer. In an otherwise forgotten BBC situation comedy, the hard-drinking hero warned his mate: "It shouldn't be gulped down by the mugful. If you do that you will lose the flavor and the bouquet. You will also lose your power of speech."

Well, not quife, maybe. In the spring, Calvados, one of the five departments of Normandy. presents one of the loveliest pictures in France — more than 9 million apple trees, blossoming pink-white around the picturesque old farmhouses, with black-and-white and brown and white cows grazing undemeath the trees or nearby.

Calvados is distilled from cider, the pressed juice of particular vari-eties of apples. Cider apples, often of small diameter, blotchy and unattractive, are too sour to be eaten with pleasure. They are grouped in four families: sweet, bitter, bittersweet and acid. To make a successful Calvados, juices from several of these are blended before distilling.

The heartland of the region is the Pays d'Ange, which lies on either side of the little Touques River valley, running south from Dean-ville through Pont-l'Eveque and Lisieux. In this area, narrowly delimited by law, Calvados must be made in a traditional pot still. It is man solicitude, insisted on pouring always labeled "Calvados Pays d'Auge." Elsewhere in the region, more efficient columnar stills can be used. Their output, which is usually coarser and less sophisticated, is labeled simply "Calvados."

Why coarser? Partly because the pot still offers greater control, and partly because the pot still's product hakes better to aging in oak cashs.
"To be really good," Waverley,
Root wrote in "The Food of Root wrote in "The Food of France," "Calvados requires aging even more than does Cognac. Saint-Cyr is the headquarters of the uncrowned king of artisanal Cal-

vados, the firm of Roger Groult, one of the few old-style distillers, along with Adrien Campt of La Lande Saint-Leger, who produce enough to ship their wares around the world. A dapper, precise fourth-generation distiller, Jean-Pierre Grouk uses apples from his own orchards, which cover 65 acres, plus others. about a third of the total, bought from other orchards within six. miles of here. They are shaken from the trees each October by a cable. linked to a tractor, sorted according to quality and variety and thea crushed in a large hydraulic press.

The pulp is used to feed livestock,

and the liquid is pumped into stain-less-steel tanks, where it ferments into cider. Groult sells only blends of various vintages, although other dis-tillers sell single-vintage Calvados. He thinks that they are one-dimensional, that only by blending the produce of a number of years can maximum richness and complexity

be achieved. On my most recent trip around Normandy, I tasted again some of the many other ways Calvados is used here. The gold star went to a towering Calvados soufflé at La Bouride, the Michelin two-star restaurant in Caen. When the waiter served it, he lifted its top, decorated with an apple slice, and poured in a little more Calvados, to make sure

the flavor wasn't too wan. I barely finished the soufflé, but the patron's wife, with typical Norme one final glass: a 13-year-old beauty from a farmer she knew named Hubert. Its heady scent leaped from the glass to meet my nose, and it was every bit as fullbodied as any Wagnerian soprano.

PEOPLE

N 11-year-old boy in Florida says that he returned a An 11-year-old doy in radial says that he because his briefcase full of jewels to its rightful owner because his mother told him to and that he was glad he had done the right attendants before he was restrained with seat belts, the police thing. Still, William Hand found the episode a little depressing. said. No one was hurt. "I was jumping up and down, singing 'We're in the money, we're in the money,' "William said. "Now I see stuff on TV I want, and I just go 'Oh, man.' "William, who found the briefcase two weeks ago in a Jacksonville restamant parking lot, learned he will get a reward from the Texas woman who lost it — a \$500 savings bond each Christmas until he is 18.

named chairman of the board of the Solomon R. Guggenheim Lenny Kravitz and Natalie Imbruglia about participating. sites worldwide. In April, Lewis gave the Guggenheim a cash pledge of \$50 million.

An American Airlines jetliner made an unscheduled landing to remove a man who was apparently drunk and bothering the band Hootie and the Blowfish for autographs and a record action for a while. The next superhero from this household to deal. Flight 133 with about 100 people aboard was en route to Los Angeles from New York when the pilot decided to land in Denver. The man, Amit Singh, 39, reportedly walked into the members say he sat on the floor and showed them a book of

poetry and then asked how he could cut a record deal. He allegedly attacked the band's bodyguard and several flight

few degrees stronger than most.

Paul McCartney is to take to the concert stage next year to keep alive his wife Linda's crusade for animal rights. Mc-Cartney and Chrissie Hynde of the Pretenders are organizing the concerts. No dates or sites have been selected for what would be McCartney's first return to the stage since his wife died of cancer in April. The former Beatle said he is Peter Lewis, president and chief executive officer of talking with Elvis Costello, the B-52s, the artist formerly Progressive Corp., an auto insurance company, has been known as Prince, but now identified by a squiggle, Blur,

Roddy McDowall, one of Hollywood's most durable actors, has terminal cancer, the Daily Variety gossip columnist Army Archerd has reported. Archerd said he had called the veteran London-born actor to wish him a happy 70th birthday for Thursday "only to be told he was unable to come to the phone; he was resting and, I was further informed, he is terminally ill with cancer." McDowall's cancer was not specified, although it appeared to develop quickly, Archerd said. Just last month, McDowall took part in celebrations first-class section and began asking for autographs. Band marking the 30th anniversary of "Planet of the Apes," in which he played the civilized simian Cornelins.



LONDON COUNTRY -Dolly Parton at the Hard Rock Café in London, promoting her new album.



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